Weatherbys Pension and Assurance Scheme

Statement of Investment Principles

1 October 2020

Contents

1. Introduction

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 for the Weatherbys Pension and Assurance Scheme ('the Scheme'). It describes the investment policy being pursued by the Trustees of the Scheme and is in accordance with the Government's voluntary code of conduct for Institutional Investment in the UK ("the Myners Principles"). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

The Scheme Actuary is Mark Poyner of XPS Pensions Limited, the Investment Adviser to the DB Section is XPS Investment Limited and the Investment Adviser to the DC Section is Punter Southall Aspire (collectively termed 'the Advisers').

The Trustees confirm that, before preparing this SIP, they have consulted with the employer, Weatherbys Limited ('the Employer') and the Advisers, and have obtained and considered written advice. The Trustees believe the Advisers to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge of the investment arrangements that the Scheme requires.

The Trustees are responsible for the investment of the Scheme's assets and the administration of the Scheme.

Given the size of the Scheme, the Trustees have decided the most cost effective way of investing the Scheme assets is to invest in pooled funds managed by an organisation, rather than directly appointing an individual investment manager. Decisions about which pooled funds to invest in are made after receiving investment advice from an FCA regulated firm.

This SIP reflects the current strategy and the Appendices detail the current investments which are intended to implement the strategy. However the Trustees keep their investment strategy under regular review to reflect, amongst other things, changes in the funding position, changes in the strength of the employer covenant, the timing of the liabilities and new investments that may become available. The SIP will be updated to reflect any changes in strategy and will be reviewed at least every three years.

1.1 Declaration

The Trustees confirm that this Statement of Investment Principles reflects the Investment Strategy they have decided to implement. The Trustees acknowledge that it is their responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

Signed: ..... **Date:** ...1/10/2020...

Name: ..PETER MENDMAN.....

For and on behalf of the Trustees of the Scheme

2. Scheme Governance

The Trustees are responsible for the governance and investment of the Scheme's assets. The Trustees consider that the governance structure set out in this SIP is appropriate for the Scheme as it allows the Trustees to make the important decisions on investment policy. Day to day decisions are taken by the managers of the pooled funds and decisions about changes to the pooled funds are taken after considering written advice from the Investment Advisers. The responsibilities of each of the parties involved in the Scheme's governance are detailed in Appendix A.

The Trustees have decided not to appoint an Investment Sub-Committee to deal with investment matters.

3. Investment Objectives

3.1 Defined Benefit Section

The Trustees' primary investment objective is to hold suitable assets which will generate income and capital growth which are expected to meet, together with contributions from the Employer, the cost of current and future obligations to the beneficiaries. With this in mind, the Trustees have set the following specific objectives:

1. To seek to ensure the obligations to the beneficiaries of the Scheme can be met when due from the assets of the Scheme;
2. To seek to earn an investment return which, in combination with the funding strategy, is sufficient to achieve over the long term a funding level of at least 100% against the technical provisions;
3. To pay due regard to the Employer's requirements with regards to the size and incidence of its contribution payments; and
4. To follow a stable investment strategy to achieve a below average risk of reducing the security of members' accrued benefits.

The Trustees will consider the investment objectives and the investment strategy as part of discussing the actuarial valuation methodology and assumptions with the Scheme Actuary, taking into account the Employer covenant.

3.2 Defined Contribution Section

The Trustees recognise that their ultimate objective is to ensure, as far as possible, that members of the Scheme are able to achieve a level of investment return commensurate with their level of risk tolerance but that they should offer lifestyle options where the level of risk decreases as members approach retirement.

The Trustees recognise that individual members have different investment needs and that these may change during the course of their working lives. They also recognise that members have differing attitudes to risk.

The Trustees therefore offer members a range of investment options, which they believe are suitable for meeting the investment objective. In particular, the investment options provided should give members a reasonable expectation of maintaining the purchasing power of their savings in real terms.

4. Asset Allocation Strategy – DB Section

The Trustees have taken the view that the investment objective is best achieved by determining, and investing in accordance with, an appropriate split between "on-risk" assets (e.g. equities and diversified growth funds) and "off-risk" assets (e.g. fixed and index-linked gilts, leveraged Liability Driven Investment ("LDI") funds and high quality corporate bonds).

The allocation between the asset classes making up the on-risk and off-risk assets will vary over time to reflect, amongst other factors, the profile of the liabilities, the perceived relative value of the different asset classes and the perceived risk to the primary investment objective arising from any shortfall in the funding of the Scheme. The current benchmark and target allocation is set out in Appendix B and any changes in such allocations will only be made after receiving written advice from the Investment Advisers that such allocation remains consistent with the investment objectives.

Due to the size of the fund, the Trustees have decided to use pooled funds to invest the Scheme's assets. Changes to the pooled funds or the allocation between pooled funds will be made after obtaining written advice from the Investment Advisers. Appendix B will be amended promptly to reflect any such changes.

Based on the structure set out in Appendix B, the Trustees consider the arrangements with the Investment Managers to be aligned with the Scheme's overall strategic objectives. Details of each specific mandate are set out in agreements and pooled fund documentation with each Investment Manager. The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them through guidelines set by the Trustees or governing the pooled funds in which the Scheme is invested.

The Trustees will ensure that the Scheme's assets are predominantly invested in regulated markets to maximise their security.

Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Scheme's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustees' expectations, including their selection / deselection criteria.

The Trustees encourage Investment Managers to make decisions in the long-term interests of the Scheme. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights. This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns.

4.1 Rebalancing Policy

The Trustees, in conjunction with the Advisers, will monitor the actual asset allocation of the Scheme on an annual basis via the governance report, and on a more frequent basis at the Trustees' meetings. If the actual allocation moves further than -/+5% from the allocation set out in Appendix B, the Trustees will make a decision as to whether to switch assets back to the strategy following consideration of advice.

4.2 Rates of Return

The target benchmarks for the pooled funds are detailed in Appendix B. The allocation combined with the expected return of each fund is expected to be sufficient to meet the long term objective.

4.3 Diversification

The Trustees have sought to achieve diversification by investing in pooled funds which have investment restrictions i.e. funds which impose concentration limits on individual positions and limits on the exposure to individual issuers. Generally speaking, each asset class would expect to have different issuers and therefore add to the diversification of the Scheme. The two diversified funds are intended to provide additional diversification in that they invest across a range of asset classes which are expected to have uncorrelated returns. The Trustees will monitor the strategy regularly to ensure that it is comfortable with the level of diversification.

4.4 Suitability

The Trustees have taken advice from the Investment Advisers to ensure that the investments are suitable for the Scheme, given its investment objectives. The Trustees have also obtained advice from the Advisers as to the appropriateness of the investment strategy given the funding position and the strength of the employer covenant.

The Trustees have chosen to hold some of the Scheme's assets in leveraged LDI funds and corporate bond funds (the 'off-risk' assets) to provide some degree of matching with the Scheme's liabilities. A corporate bond fund has been selected in order to benefit from the higher expected long-term returns over gilts and the Trustees consider the additional credit risk to be consistent with the investment objectives.

The aim of the return-seeking assets is to provide additional expected return above that achieved by the off-risk assets, consistent with the investment objectives.

4.5 Liquidity

All of the non-cash assets are held in pooled funds with frequent dealing dates.

5. Strategy Implementation – DB Section

The Trustees have decided to implement their investment strategy through investment in pooled funds.

5.1 Mandate and Performance Objectives

The Trustees have received advice on the suitability of each pooled fund that the Scheme is invested in from the Advisers and believe them to be suitable to meet the Scheme's investment objectives. The benchmark for each fund currently held and its objectives are set out in Appendix B.

5.2 Manager Agreement

Since the Scheme is invested in pooled funds, there is no formal agreement between the Trustees and an individual fund manager relating to investments in each asset class.

5.3 Custody

Custody of the underlying assets is at the discretion of the pooled funds, whilst shares and/or units in the funds are held in book form only. Cash is held securely in separate accounts with approved counterparties.

6. Strategy Implementation – DC Section

6.1 How was the investment strategy reached?

The Trustees and their Investment Adviser to the DC section considered the objectives of the DC members.

6.2 Assessment of members' needs and investment fund range

Account was taken of the demographics of the membership, their willingness to accept risk, proximity to anticipated retirement and changing needs as retirement approached. These were considered in relation to the principles and best practice guidelines published by the Department for Work and Pensions and The Pensions Regulator on DC investment.

6.3 Default investment fund

The Trustees wish to ensure there is an appropriate level of diversification and as retirement approaches that there is an emphasis on managing fluctuations in the value of members' funds. The structure of the default fund is set out in Appendix C.

6.4 How the lifestyle options work

Lifestyle aims to help ensure that members are invested in the most appropriate type of fund between the time they join the scheme and retirement. It does so by systematically switching members from funds that are focused on growth to ones that look to address members' needs in retirement.

The Scheme's default retirement age is 65, and the lifestyle options will re-balance members' funds to this age. Once they are invested in a lifestyle option, members can select a different age to assist with their financial planning.

6.5 Diversification

The Trustees offer a range of investment funds, each of which is diversified and has concentration limits. There is also access to funds that invest in a range of asset classes so members can diversify their investment in the Scheme, while delegating the way the fund is invested to the manager of the fund.

The Trustees will continue to monitor the performance of the investment funds and in conjunction with their Investment Adviser consider whether changes are required.

6.6 Custody

Custody of the assets is provided by the relevant custodian for each of the investment funds.

6.7 Investment managers

The Trustees have selected a range of pooled funds to deliver the investment strategy rather than appointing an investment manager. The investment funds are listed in Appendix C.

6.8 Performance objectives

The objectives for the funds are set out in Appendix C.

7. Monitoring

7.1 Pooled funds

The Trustees will monitor the performance of the funds against their stated performance objectives.

Appointments of Investment Managers are expected to be long-term, but the Trustees will review the appointment of the Investment Managers in accordance with their responsibilities. Such reviews will include analysis of each Investment Manager's performance and processes and an assessment of the diversification of the assets held by the Investment Manager. The review will include consideration of the continued appropriateness of the mandate given to the Investment Manager within the framework of the Trustees' investment policies.

The Trustees receive quarterly performance monitoring reports from the Investment Adviser which consider performance over the quarter, one and three year periods. In addition, any significant changes relating to the criteria below that the Investment Adviser is aware of will be highlighted, which may lead to a change in the Investment Adviser's rating for a particular mandate. These ratings help to determine an Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustees may carry out a more in-depth review of a particular Investment Manager.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Adviser to ensure it is in line with the Trustees' policies and with fee levels deemed by the Investment Adviser to be appropriate for the particular asset class and fund type.

If the Trustees are not satisfied with the performance of the funds they will ask the manager of those funds what steps they intend to take to rectify the situation. If the funds still do not meet the Trustees' requirements, they will look to purchase other funds - potentially with a different manager - after consultation with the Investment Adviser.

7.2 Advisers

The Trustees will monitor the advice given by the Advisers on a regular basis.

7.3 Other

The Trustees are required to review this SIP on a triennial basis, or, without undue delay, following any changes to the investment strategy.

8. Fees

8.1 Funds

The Trustees will endeavour to ensure that the fees charged by funds and their expense ratios are consistent with levels typically available in the industry for similar funds. The current fee basis for each of the pooled funds is set out in Appendix B (for the DB Section) and Appendix C (for the DC Section).

The Trustees require the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.

Information about the Investment Managers' fees, commissions and other transaction costs is available in the annual report of the pooled funds in accordance with the Financial Conduct Authority ('FCA') Disclosure Code.

8.2 Advisers

Fees paid to the Advisers are based either on actual time spent and hourly rates for relevant individuals, or on fixed fees agreed in advance for specifically defined projects.

8.3 Custodian

There is no custodian appointed directly by the Trustees.

8.4 Trustees

The Trustees paid directly for their duties are the Chairman and the Member Nominated Trustees. All expenses are met and they are given time off from their other employment duties to attend the periodic Trustees' meetings.

9. Risks

The Trustees recognise a number of risks involved in the investment of assets of the Scheme:

i. The risk of failing to meet the objectives as set out in Section 3 – the Trustees have agreed an investment strategy which they consider, after consulting with the Advisers, has a reasonable expectation of meeting the investment objectives.

ii. The risk of adverse consequences arising through a mismatch between the Scheme's assets and its liabilities. This is addressed through the asset allocation strategy and through regular actuarial and investment reviews and the funding target.

iii. Risk of lack of diversification of investments – addressed through investing in pooled funds with diversification requirements and through investing the growth assets in pooled funds which invest across a range of assets.

iv. Risk of holding assets that cannot be easily sold should the need arise – addressed through the use of pooled funds with frequent dealing dates.

v. Underperformance risk – addressed through monitoring closely the performance of each fund and taking necessary action when this is not satisfactory.

vi. Organisational risk – addressed through regular monitoring of the Investment Managers and the Advisers.

vii. Sponsor risk – the risk of the Employer ceasing to exist, which for reasons of prudence, the Trustees have taken into account when setting the asset allocation strategy.

viii. Liquidity risk – addressed through investing in pooled funds with daily dealing that are expected to be liquid in all foreseeable circumstances.

ix. Credit risk – addressed by limiting the exposure to credit and by investing in pooled funds with a diversified portfolio of different credits.

The Trustees will keep these risks under regular review.

10. Other Issues

10.1 Statutory Funding Requirement

The Trustees will obtain and consider proper advice on the question of whether the investments are satisfactory having regard to both the investment objectives and the requirement to meet statutory funding requirements. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation every three years.

The Trustees will consider with the Advisers whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the statutory funding requirement.

10.2 Environmental, Social and Governance factors

The Trustees have considered their approach to environmental, social and corporate governance ("ESG") factors and believes there can be financially material risks relating to them. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Investment Managers. The Trustees require the Investment Managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees will seek advice from the Investment Adviser on the extent to which its views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. Furthermore, the Trustees, with the assistance of the Investment Adviser, will monitor the processes and operational behaviour of the Investment Managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this Statement.

As the Scheme invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. The Trustees have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the Investment Managers and encourages them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments. The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees.

If the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees' expectation then the Trustees may consider terminating the relationship with that Investment Manager.

When considering the selection, retention or realisation of investments, the Trustees have a fiduciary responsibility to act in the best interests of the beneficiaries of the Scheme, although they have neither sought, nor taken into account, the beneficiaries' views on matters including (but not limited to) ethical issues and social and environmental impact. The Trustees will review this policy if any beneficiary views are raised in future.

Appendix A - Responsibilities

Trustees

The Trustees of the Scheme are responsible for, amongst other things:

i. Determining the investment objectives of the Scheme and reviewing these from time to time.

ii. Agreeing an investment strategy designed to meet the investment objectives of the Scheme.

iii. Reviewing triennially the content of this SIP and modifying it if deemed appropriate, in consultation with the Advisers.

iv. Reviewing the suitability of the investment policy following the results of each actuarial or investment review, in consultation with the Advisers.

v. Assessing the quality of the performance and process of the pooled funds by means of regular reviews of the investment results and other information, by way of meetings and written reports, in consultation with the Advisers.

vi. Selecting pooled funds which are consistent with the investment strategy after consultation with the Advisers.

vii. Assessing the ongoing effectiveness of the Advisers.

viii. Consulting with the Employer when reviewing investment policy issues.

ix. Monitoring compliance of the investment arrangements with this SIP on an ongoing basis.

x. Informing the Advisers of any changes to Scheme benefits, significant changes in membership.

Investment Managers

The Investment Managers will be responsible for, amongst other things, providing reports to the Trustees on performance and allocations. In addition, LGIM will ensure that any margin calls on the LDI funds are met promptly and that surplus margin is reinvested.

Investment Advisers

The Investment Advisers will be responsible for, amongst other things:

i. Participating with the Trustees in reviews of this SIP.

ii. Advising the Trustees how any changes within the Scheme's benefits, membership and funding position may affect the manner in which the assets should be invested.

iii. Advising the Trustees of any changes in the funds that could affect the interests of the Scheme.

iv. Undertaking reviews of the Scheme's investment arrangements including reviews of the asset allocation policy and current pooled funds and advising on the selection of new funds if so requested.

v. Advising the Trustees whether to rebalance the DB portfolio.

vi. Advising the Trustees as to which pooled funds are suitable to meet the investment objectives should the Trustees consider it necessary to change investments.

Scheme Actuary

The Scheme Actuary will be responsible for, amongst other things:

i. Liaising with the Investment Adviser for the DB Section on the suitability of the Scheme's investment strategy.

ii. Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels.

iii. Commenting on the appropriateness of the investment strategy relative to the liabilities of the Scheme at the triennial valuations.

iv. Advising the Trustees and Investment Adviser of any changes to contribution levels and funding level.

Appendix B - Pooled funds DB Section

The Trustees have appointed three Investment Managers: Legal & General Investment Management ('LGIM'), Newton Investment Management Ltd ('Newton') and Baillie Gifford & Co ('Baillie Gifford'), to manage the assets of the DB Section of the Scheme.

The mandates for the Investment Managers are as follows:

Fund	Benchmark / target return	Benchmark Allocation (%)
LGIM AAA-AA-A Bonds All Stocks Index	iBoxx £ Non-Gilt ex BBB	12
Newton Long Corporate Bond Fund	Merrill Lynch Over 10 Years Investment Grade Index + 1% pa over rolling 5 year periods	
LGIM Matching Core Funds	Composite benchmark, based on matching liability movements	13
LGIM Dynamic Diversifed Fund	Bank of England Base Rate + 4.5% pa	25
Baillie Gifford Multi Asset Growth Fund	Bank of England Base Rate + 3.5% pa	25
Newton Global Balanced Fund	37.5% FTSE All-Share, 37.5% FTSE World (ex UK), 20% FTSE Government All Stocks, 5% LIBID 7 Day cash + 1-2% pa over rolling 5 year periods	25

The target hedging level for both interest and inflation rates is 50% of funded liabilities.

Fees

The investment management fees paid to the Investment Managers are as follows:

Fund	Annual Management Charge (% pa) (based on the current investment values)
LGIM AAA-AA-A Bonds All Stocks Index	0.15
Newton Long Corporate Bond Fund	0.20
LGIM Matching Core Funds	0.24
LGIM Dynamic Diversifed Fund	0.38
Baillie Gifford Multi Asset Growth Fund	0.50
Newton Global Balanced Fund	0.45

Appendix C - Pooled funds DC Section

The Trustees have appointed two Investment Managers: Legal & General Investment Management ('LGIM') and Baillie Gifford & Co ('BG'), to manage the assets of the DC Section of the Scheme.

The fund options for the members are as follows

Fund	Benchmark / target return	Annual Management Charge (% pa)
LGIM Multi Asset Fund	ABI UK Mixed Investment 40%-85% Pension Sector	0.25
LGIM Retirement Income Multi-Asset Fund	Bank of England Base Rate + 3.5% pa	0.35
LGIM Pre-Retirement Fund	Composite of gilts and corporate bond funds	0.15
LGIM General Cash Fund	7-day LIBID	0.125
LGIM Global Equity 60:40	Composite	0.16
LGIM UK Equity Index	FTSE All-Share	0.10
LGIM Managed Property	IPD UK Quarterly All Balanced Property Funds Index	0.70
LGIM UK Smaller Companies	FTSE Small Cap	0.25
LGIM Over 15y Gilts Index	FTSE A UK Gilts Over 15 Years	0.10
BG Developed Asia Fund	MSCI Pacific Index + 2% pa (gross) over roloing 3 year periods	0.55
BG Managed Fund	IA Mixed Investment 40%-85% Shares Sector plus 1-1.5% pa over rolling 3 year periods	0.40
BG UK Equity Core Fund	FTSE All Share plus 1% pa (gross) over rolling 3 year periods	0.42
BG Diversified Growth	Bank of England Base Rate + 3.5% pa	0.65
BG Investment Grade Long Bond	Merrill Lynch Non-Gilt Over 10 Years Index + 0.50% pa	0.25

The default fund is the LGIM Multi Asset Fund, although members are able to select three alternative lifestyle arrangements as follows:

(i) *Annuity Lifestyle strategy* – when a member is 3 years from retirement date, switch from LGIM MAF into the LGIM Pre-Retirement Fund and the LGIM Cash Fund; such that at retirement date, there is 75% in the Pre-Retirement Fund and 25% in the Cash Fund.

(ii) *Cash Lifestyle strategy* – when a member is 3 years from retirement date, switch from LGIM MAF into the LGIM Cash Fund; such that at retirement date, there is 100% in the Cash Fund.

(iii) *Drawdown strategy* – when a member is 3 years from retirement date, switch from LGIM MAF into the LGIM Retirement Income Multi-Asset Fund; such that at retirement date, there is 100% in the Retirement Income Multi-Asset Fund.