

# Wilfred T Fry Limited Retirement Benefits Scheme

Statement of Investment Principles

## 1 Background

<b>Purpose of Statement</b>	This Statement sets out the principles governing decisions relating to the investment of the assets of the Wilfred T Fry Limited Retirement Benefits Scheme (the Scheme).
<b>Nature of Scheme</b>	The Scheme is a defined benefit arrangement set up under trust and registered with HM Revenue and Customs (HMRC).
<b>Compliance with Legislation</b>	This Statement has been prepared to comply with Section 35 of the Pensions Act 1995, Section 244 of the Pensions Act 2004, the Occupational Pension Scheme (Investment) Regulations 2005, the Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
<b>Availability to Members</b>	<p>A copy of this Statement will be made available to Scheme members on request to the Trustee of the Scheme, via Broadstone Pensions Limited, Prospect House, Fishing Line Road, Redditch, B97 6EW.</p> <p>A copy is also available online.</p>
<b>Investment Advice</b>	<p>The Trustee has obtained and considered professional advice on the content of this Statement from Broadstone Pensions Limited (Broadstone), its appointed investment adviser. Broadstone has confirmed to the Trustee that it has the appropriate knowledge and experience to give the advice required under legislation.</p> <p>The Trustee will obtain such advice as it considers appropriate and necessary whenever it intends to review or revise this Statement.</p>
<b>Consultation with the Principal Employer</b>	<p>The Trustee has consulted the Principal Employer, Wilfred T Fry Limited, in conjunction with the Progeny Group Limited as the buyer (the Buyer) of the Principal Employer, when setting its investment objectives and strategy, and in the preparation of this Statement.</p> <p>Responsibility for maintaining the Statement and determining the Scheme's investment strategy rests solely with the Trustee.</p>
<b>Investment Powers</b>	The Trustee's investment powers are set out in Rule 55 of the Scheme's Trust Deed and Rules dated 10 February 2010, as amended. The powers granted to the Trustee under this Rule gives the Trustee wide scope to select and use investments and this Statement is consistent with those powers.

## 2 Investment Objectives

<b>Strength of Employer Covenant</b>	<p>In determining its investment objectives and strategy, the Trustee has considered the strength of both the Principal Employer's and Buyer's willingness and ability to support the Scheme.</p> <p>The Trustee, Principal Employer and Buyer have adopted a funding and investment approach that focuses on the cost of securing the Scheme's liabilities with an insurer. This approach places very little assumed reliance on the employer covenant. The Trustee is satisfied that the Principal Employer and Buyer have the resources to enable the liabilities to be secured in the short term, given that the Trustee has secured most of the Scheme's liabilities by purchasing a bulk annuity contract with an insurer. In addition, sufficient resources are expected to be in place to secure the remaining liabilities of the Scheme and meet the majority of the additional expenses to complete the buyout process and wind the Scheme up.</p>
<b>Key Funding Measure</b>	<p>The Scheme is subject to the Statutory Funding Objective (SFO) introduced by the Pensions Act 2004, i.e., that it should have sufficient and appropriate assets to cover its Technical Provisions, as calculated in accordance with the Trustee's Statement of Funding Principles. However, given the fact that the Trustee has secured the Scheme's liabilities with an insurer, the Trustee has agreed that the funding position measured relative to the cost of the bulk annuity contract is the assessment of scheme funding that is of most importance to the Trustee and members.</p>
<b>Investment Objectives</b>	<p>The Trustee's investment objective is to invest sufficient assets in a bulk annuity contract that backs all the liabilities of the Scheme to enable the Trustee to meet all of the Scheme's benefits as they fall due.</p>
<b>Paying Regard to the Principal Employer's and Buyer's Views</b>	<p>The Trustee will have regard to the Principal Employer's and Buyer's views on the potential costs and risks associated with the investment objectives set and their implementation through the practical strategy.</p>

### 3 Principles for Setting the Investment Strategy

<b>Selection of Investments</b>	<p>The Trustee holds an insurance policy with Just Retirement ('the Insurer') which provides income to the Scheme, matching all the future liabilities due from it.</p> <p>The Trustee may hold a working cash balance to allow the Trustee to purchase annuities for the remaining liabilities of the Scheme and for the purpose of meeting the expenses of running the Scheme.</p>
<b>Delegation to the Insurer</b>	<p>The Trustee will delegate the day-to-day management of the Scheme's assets to the Insurer and will not be involved in the buying or selling of investments.</p>
<b>Realising Investments</b>	<p>The bulk annuity contract generates cashflows to meet the benefit outgo of the Scheme.</p> <p>The Trustee also maintains a bank account and aims to maintain a cash balance to cover the Scheme's benefits and may meet Scheme expenses. The cash balance will only meet expenses should the Principal Employer contribute the amount of expense due into the bank account for the Trustee to use the account for this purpose, or if the bank account holds any residual cash once all benefits have been secured with annuities.</p>

### 4 Setting the Strategy

<b>Target Asset Allocation</b>	<p>The Scheme holds a bulk annuity contract that provides cashflows expected to match future benefit outgo for all Scheme liabilities.</p> <p>Any residual assets are held as cash in the Trustee's bank account.</p>
<b>The Insurer</b>	<p>The Trustee entered into a contract with Just Retirement (Just) in August 2023.</p> <p>Just is regulated by the Prudential Regulation Authority.</p>
<b>Employer Related Investment</b>	<p>Neither the Trustee nor the Insurer directly hold any employer related investments.</p>
<b>Additional Voluntary Contributions (AVCs)</b>	<p>The Scheme holds AVCs separately to the assets backing defined benefits, in funds held with Utmost Life &amp; Pensions. The liability in respect of these AVC funds is equal to the value of the investments bought by the contributions.</p>

## 5 Expected Returns and Risks

<b>Overall Return Target</b>	The Trustee's objective, and the expected return of the Scheme's assets, is for the bulk annuity policy held with the Insurer to match any changes in value of the Scheme's liabilities.
<b>Consideration of Risks</b>	The Trustee has considered various risks the Scheme faces, including market risk, interest rate risk, inflation risk, default risk, concentration risk, manager risk and currency risk, and considers that the bulk annuity contract purchased with the Insurer mitigates the majority of these risks, with any residual risks mitigated when the Scheme winds-up.
<b>Concentration of Risk and Diversification</b>	The risk of concentration has largely been delegated to the Insurer, who will consider the overall mix of assets backing the Scheme's bulk annuity policy.
<b>Insurer Controls and Custodians</b>	<p>The day-to-day activities that the Insurer carries out for the Trustee are subject to regular internal reviews and external audits by independent auditors to ensure that operating procedures and risk controls remain appropriate.</p> <p>Safe-keeping of the Scheme's assets held with the Insurer is performed by a custodian appointed by the Insurer.</p>
<b>Insurer Security</b>	The Trustee has considered the security of the Scheme's holdings with the Insurer, allowing for its status as a reputable regulated firm, together with solvency capital requirements set by the Prudential Regulation Authority, and considers the associated protection offered to be reasonable and appropriate.
<b>Monitoring and Management of Risks</b>	The Trustee will review wider operational risks as part of maintaining its risk register.

## 6 Responsible Investing, Governance and Engagement

### **Financially Material Considerations Related to Environmental, Social and Governance Considerations**

The Trustee recognises that Environmental, Social and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets. The Trustee delegates responsibility for day-to-day decisions on the selection of investments to the Insurer. The Trustee has an expectation that the Insurer will consider ESG issues in selecting investments or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets.

The Trustee has not imposed any specific restrictions on the Insurer with regard to ESG issues as part of its buy-in policy purchased. However, the Trustee reserves the right to request information from the Insurer on its approach to selecting investments and engaging with issuers with reference to ESG issues.

The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code, and the Insurer has stated corporate governance policies which comply with these principles.

With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustee takes the view that this falls within its general approach to ESG issues. The Trustee regards the potential impact of climate change on the Scheme's assets as a longer term risk and likely to be less material in the context of the short term development of the Scheme's funding position than other risks. The Trustee will continue to monitor market developments in this area in conjunction with its investment adviser.

### **Non-Financially Material Considerations**

Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustee believes these should not drive investment decisions. The Trustee expects the Insurer, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment.

### **Views of Members and Beneficiaries**

The Scheme is comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues. The Trustee therefore does not explicitly seek to reflect any specific views through the implementation of the investment strategy.

**Engagement and Voting Rights**

The Trustee's voting and engagement policy is to use its investments to improve the Environmental, Social and Governance behaviours of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustee believes that having this policy and aiming to improve how companies behave in the medium and long term will protect and enhance the value of their investments and is in the members' best interests.

The voting policy of the Insurer can be found at the following website:

<https://www.justgroupplc.co.uk/sustainability/esg-investors>

Field Code Changed

**Capital Structure of Investee Companies**

Responsibility for monitoring the make up and development of the capital structure of investee companies is delegated to the Insurer. The Trustee expects the extent to which the Insurer monitors capital structure to be appropriate to the nature of the mandate.

**Conflicts of Interest**

The Trustee maintains a separate conflicts of interest policy and register, which is reviewed at each Trustee meeting.

Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Insurer, while also setting out a process for their management.

**Incentivisation of the Insurer**

The Insurer is remunerated through the premium charged on their bulk annuity contract.

The Trustee does not directly incentivise the Insurer to align the approach they adopt for bulk annuity contracts with the Trustee's investment policies and objectives. Instead, the Insurer selects investments so that, in aggregate, the returns produced are expected to meet the Trustee's objectives.

The Trustee does not directly incentivise the Insurer to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issues to improve their performance. The Trustee expects such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the bulk annuity contract used by the Scheme.

## 7 Review and Monitoring

<b>Frequency of Review</b>	The Trustee will review this Statement at least every three years or if there is a significant change in the Scheme's circumstances or the regulations that govern pension scheme investment.
<b>Monitoring the Investment Strategy and Insurer</b>	The Trustee will monitor the success of the Scheme's investment strategy and the Insurer, through the Insurer's ability to meet the Scheme's liability payments.
<b>Monitoring the Duration of Investment Arrangements</b>	The Trustee has entered into a bulk annuity contract with the Insurer, with the expectation that this will be held by the Trustee over a short period of time, until the Scheme winds-up. There is no explicit target to review the duration of this bulk annuity contract.
<b>Portfolio Turnover Costs</b>	<p>The Trustee expects the Insurer to change underlying holdings only to an extent required to meet its investment objectives. The reasonableness of such turnover will be according to the underlying investments held and market conditions.</p> <p>The Trustee therefore does not set a specific portfolio turnover target.</p>

<b>Signed</b>	<i>J. Fairbairn</i>
<b>Name</b>	_____ Joanne Fairbairn
<b>Date</b>	_____ Dec 12, 2023

On behalf of the Trustee of the Wilfred T Fry Limited Retirement Benefits Scheme