

## **Background**

1. This statement sets out the principles governing the assets of the Associated Independent Stores Ltd Pension and Life Assurance Scheme (the “scheme”) in accordance with the requirements of the Occupational Pension Schemes (investment) Regulations 2005.

Under Section 35 of The Pensions Act 1995, the Trustee is required to prepare a written Statement of Investment Principles, dealing with certain specific matters.

2. This statement has been agreed by the Trustee, who has obtained appropriate professional advice from their appointed Investment fiduciary manager, Charles Stanley. The Trustee has also consulted the Principal Employer, Associated Independent Stores Ltd (the “Company”), regarding the investment policy described in this statement.
3. The Scheme’s assets are held under trust by the Trustee. The Trustee’s investment powers are set out in Rule 50 of the Scheme’s governing Trust Deed dated 31 March 2000. The content of this statement does not conflict with those powers.
4. The Financial Conduct Authority regulates the Investment Manager(s).
5. The Trustee employs Charles Stanley as fiduciary investment manager to advise on general matters relating to the investment of the Scheme’s assets and on maintaining this Statement of Investment Principles. Charles Stanley is authorised and regulated by the Financial Conduct Authority.

## **Investment Objectives**

The Trustee has adopted a long-term Flight-Plan designed to move the scheme towards its objective of being 100% funded on a self-sufficiency basis.

The anticipated exposure to Growth and Matching assets at different Stages of the Flight-Plan is documented in the Flight-Plan Outline and subject to ongoing review by the Trustee and Charles Stanley.

The Trustee has given the investment manager, Charles Stanley, discretion to change the growth assets of the total portfolio within the Charles Stanley Medium-High Risk Budget.

Risk Budget	Medium-High
Growth Assets	8%-16% volatility

Growth assets are defined as a diversified basket of equities, property, alternatives and global bonds (other than bonds used for ‘matching assets’),

with a volatility range of 8-16%. Asset allocation is determined by the discretion of the investment manager. Underlying passive funds are determined by the discretion of the investment manager.

The Trustee has given the investment manager discretion to manage the scheme's matching assets according to the Flight-Plan. Matching assets are defined as bonds or Liability-Driven Investment funds.

Overall risk is to be managed within a Funding Risk Budget of 8% annualised standard deviation (tracking error between the assets and the liabilities). Funding Risk is scheduled to fall from 8% to approximately 5% during the Flight-Plan in incremental steps by increasing matching assets and reducing growth assets.

The Trustee has given the investment manager discretion to manage the scheme's overall balance between growth or matching assets according to the Flight-Plan Outline schedule.

The Trustee has not adopted any specific Socially Responsible, Environmental or Ethical considerations to be conferred on Charles Stanley in the discharge of their duties.

Charles Stanley is a signatory of the United Nation's Principles for Responsible Investment (PRI). As institutional investors, their duty is to act in the best long-term interests of the beneficiaries. In this fiduciary role, they, and the Trustee, are aware that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions and asset classes over a period of time). They also recognise that applying these Principles may better align investors with broader objectives of society.

Charles Stanley Asset Management's asset allocation analysis takes account of material ESG issues as they affect the broad market or sectors that the scheme is exposed to. Stock specific ESG factors are assessed where they are material to a market/index. Any fund or investment selected by Charles Stanley Asset Management's investment team will have been assessed for its approach to ESG factors as appropriate for the asset class and style.

The performance of Charles Stanley will be reviewed regularly by the Trustee in view of the Recovery Plan and Flight Plan, and the Trustee may decide to appoint a third party firm to assist with this.

### **Policies in relation to the Trustee's arrangements with their Fiduciary Manager**

- i. The fiduciary manager is expected to ensure the investment strategy is in line with the Trustee's policies, including assessing the potential medium and long-term financial and non-financial factors impacting performance of investments. No explicit financial incentives are in place, however performance against agreed objectives is monitored with the

- ability of the Trustee to replace the fiduciary manager at any time should the Trustee become materially unsatisfied with the fiduciary service received.
- ii. The objectives monitored will be set out in the Investment Objectives Scorecard to be reviewed on an annual basis. As a result, at least annually, the Trustee will review the fiduciary manager against the set of agreed objectives.
  - iii. The fiduciary manager is not required to engage directly with issuers of debt and equity given the multi-asset, predominantly pooled index-fund approach of the underlying investment strategy.
  - iv. Underlying portfolio costs are monitored at least annually on an OCF+ methodology basis. As the investments are expected to be predominantly pooled funds the Trustee believes that this methodology will capture the majority of underlying transaction costs.
  - v. The fiduciary manager can be required to declare any other portfolio turnover levels and costs ('implicit costs') at any time. No ranges are provided to the fiduciary manager for these implicit costs. Explicit fees and costs are expected to be detailed by the fiduciary manager in regular statements.
  - vi. The appointment of the fiduciary manager is monitored on an ongoing basis and would be expected to be reviewed approximately every three years, with the next review taking place during 2024 or 2025.

## **Risk**

### **1. Risk relative to the liabilities**

The Trustee's view is that the investment strategy and the performance objectives are consistent with the long-term nature of the Scheme, and in the long-term, should provide returns in excess of those assumed in the actuarial valuation.

### **2. Risk from lack of diversification**

The Trustee believes that the need for an adequately diversified overall asset allocation will be met by the Fiduciary Manager.

### **3. Risk from unsuitable investments**

Whilst the Trustee accepts the need for diversification they recognize that some types of investment could be considered unsuitable. These include investment in unlisted securities, use of derivatives (except with safeguards in place), illiquid investments and cash deposits with institutions with inadequate credit ratings. Appropriate precautions are in place with the Fiduciary Manager.

#### **4. Risk from underperformance of the investment managers**

There is a risk that the Investment Managers fail to achieve their Investment Objectives. This risk is considered by the Trustee on the initial appointment of the Investment Managers and is reviewed on an ongoing basis by holding regular reviews with the Investment Managers.

#### **5. Risk from employer related investment**

The Trustee does not hold any investments in Associated Independent Stores Ltd nor is it intended that any such employer-related investment should be held at any time in the future.

#### **6. Risk from Employer Covenant**

The Trustee reviews the employer covenant on a regular basis and will review the appropriateness of the Scheme's investment strategy based on the creditworthiness of the Company, any breaches in covenant, the Company's balance sheet or borrowing or capital expenditure plans and forecasts of cashflow.

### **Realisation of Investments**

The assets held by the Charles Stanley are regarded as readily marketable. Notice for realization of assets can be given on any working day for any amount. The Trustee needs to have regard to the Scheme's likely cashflow requirements in order to minimize the likelihood of having to realize investments when market conditions are unfavourable.

### **Stewardship Policy – including Engagement, Voting and Exercise of Rights**

The Trustees have delegated to Charles Stanley, in their role as Fiduciary Manager, the exercise of corporate governance issues, including the exercise of voting rights to investments:

- i. The Trustee believes that, where appropriate, the voting rights pertaining to the scheme's investments should be deployed in order to seek to improve the medium and long-term performance of companies, in particular where the scheme is a debt or equity shareholder.
- ii. The Trustee acknowledges that stewardship can also include direct engagement with an investee or debtor company, indirect engagement via an investment manager, 'peer-to-peer' engagement with fellow shareholders of an investee company, and any engagement with other stakeholders, on any relevant matters such as matters concerning the investee or debtor entity, including performance, strategy, risks, social and environmental

- impact, corporate governance, capital structure and management of actual or potential conflicts of interest.
- iii. The Trustee believes that, where appropriate, such engagement activity has the potential to improve the medium and long-term performance of underlying investments.
  - iv. Decisions regarding the specific exercise of rights (including voting rights) are delegated to the fiduciary manager. The fiduciary manager's policy states that "We believe voting is an effective method of engagement. We use the services of proxy voting service provider Institutional Shareholder Services (ISS) to advise us on corporate governance issues and provide voting recommendations on our top 100 holdings of equity and fund securities."
  - v. The Trustee expects that the majority of investments will be deployed via pooled funds. As a result, the Trustee expects the fiduciary manager to be mindful of the engagement and voting policy of underlying pooled fund managers when selecting them and to report these policies to the Trustee upon request.
  - vii. Where voting rights are held directly, the Trustee delegates the exercise of voting right to the fiduciary manager and expects a report on any voting or engagement activity to be provided at least annually or upon request.

### **Members' Views and Non-Financial Factors**

In setting and implementing the Scheme's investment strategy, the Trustee does not explicitly take into account the view of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

### **Review of this statement**

The Trustees will review this statement in response to any material changes to any aspects of the investment arrangements detailed above. This review will occur no less frequently than every 3 years to coincide with the actuarial valuation. Any such review will be based on written investment advice and will include consultation with the Company.

Statement of Investment Principles – December 2023

**Copies of this statement have been supplied to the Actuary, the Company, and the Investment Fiduciary Manager.**

**Approved by the Trustee of the Associated Independent Stores Limited Pension and Life Assurance Scheme**

**Date: 27 December 2023**