



## **R G Carter Limited and Associated Companies Pension Fund**

### **Statement of Investment Principles (“SIP”)**

#### **Purpose of this Statement**

This SIP has been prepared by the Trustee of the R G Carter Limited and Associated Companies Pension Fund (the “Fund”). This statement sets out the principles governing the Trustee’s decisions to invest the assets of the Fund.

The Fund’s investment strategy is derived from the Trustee’s investment objectives. The objectives have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

Details on the Fund’s investment arrangements are set out in the Investment Implementation Document (“IID”).

#### **Governance**

The Trustee of the Fund makes all major strategic decisions including, but not limited to, the Fund’s asset allocation and the appointment and termination of investment managers.

When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee’s investment advisers, Isio Group Ltd. “Isio”, are qualified by their ability in, and practical experience, of financial matters, and have the appropriate knowledge and experience. The investment advisers’ remuneration may be a fixed fee or based on time worked, as negotiated by the Trustee in the interests of obtaining best value for the Fund.

The Trustee has set up an Investment Subcommittee to monitor the operation of the Fund’s investment strategy and report back to the Trustee.

#### **Investment objectives**

The primary objective of the Trustee is to seek to ensure that the Fund's assets are invested in such a manner that the benefits due to members and their beneficiaries can be paid as they arise. The Trustee has also set the following secondary objectives:

- To seek opportunities to secure member benefits using an insurance based solution; and
- To seek to avoid significant volatility in the funding position of the Fund and the pensions expense in the sponsoring employers' company accounts;

The Fund's present investment objective is to achieve a return of around 0.3% per annum above the return on a liability matching portfolio of UK Government bonds.<sup>1</sup>

### **Investment strategy**

The Trustee takes a holistic approach to considering and managing risks when formulating the Fund's investment strategy.

The Fund's investment strategy was derived following careful consideration of the factors set out in Appendix A. The considerations include the nature and duration of the Fund's liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of employer contributions required to fund the Fund, and also the strength of the sponsoring company's covenant. The Trustee considered the merits of a range of asset classes.

The Trustee recognises that the investment strategy is subject to risks, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. This risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities.

The assets of the Fund consist predominantly of investments which are traded on regulated markets.

### **Investment Management Arrangements**

The investments are made through a platform provider, who acts as the investment manager. With advice, the Trustee will select underlying funds from the platform to implement the chosen strategy. The platform provider will be responsible for:

- Investing in the chosen underlying funds in the proportions agreed by the Trustee, adjusted as necessary from time to time;
- Providing the Trustee with quarterly asset valuations and performance information;
- Providing any initial asset transition plan for the investment consultant to review;
- Asset rebalancing and meeting cashflow requirements.

The investments are made through a platform provider, Legal & General Investment Management ("LGIM"), who acts as the investment manager. With advice, the Trustee has selected underlying funds from the platform to implement the chosen strategy. The platform

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<sup>1</sup> Note: this is based on the Fund's invested assets excluding any buy-in policies, and is based on Isio's long-term expected return assumptions as at 30 June 2021.

provider and the investment managers are regulated under the Financial Services and Markets Act 2000. More details on the funds selected are listed in the SIP/IID.

All decisions about the day-to-day management of the assets have been delegated to the investment managers via a written agreement. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustee takes investment managers' policies into account when selecting and monitoring managers. The Trustee also takes into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise powers of investment delegated to them, with a view to following the principles contained within this statement, so far as is reasonably practicable.

As the Fund's assets are invested in pooled vehicles, the custody of the holdings is arranged by the investment manager.

### **Investment Manager Monitoring and Engagement**

The Trustee monitors and engages with the Fund's investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustee seeks to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy and Risk	<ul style="list-style-type: none"> <li>• The Trustee receives a quarterly performance report from the platform provider which details information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant Trustee/ISC meeting.</li> </ul>	<ul style="list-style-type: none"> <li>• There are significant changes made to the investment strategy.</li> <li>• The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustee's expectations.</li> <li>• Underperformance vs the performance objective over the period that this objective applies.</li> </ul>

Environmental, Social, Corporate Governance factors and the exercising of rights	<ul style="list-style-type: none"> <li>The Trustee receives information from their investment advisers on the investment managers' approaches to engagement.</li> </ul>	<ul style="list-style-type: none"> <li>The manager has not acted in accordance with their policies and frameworks.</li> <li>The manager's policies are not in line with the Trustee's policies in this area.</li> </ul>
Compliance	<ul style="list-style-type: none"> <li>The Trustee receives information from their investment advisers on the investment managers' compliance with the regulatory framework in which they operate.</li> </ul>	<ul style="list-style-type: none"> <li>The manager has not adhered to the regulatory framework.</li> <li>The manager has not implemented a response to a regulatory change in a timely fashion.</li> </ul>

Through the engagement described above, the Trustee will work with the investment managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustee will review the relevant investment manager's appointment and will consider terminating the arrangement.

### **Employer-related investments**

The policy of the Trustee is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Funds (Investment) Regulations 2005 except where the Fund invests in collective investment Funds that may hold employer-related investments. In this case, the total exposure to employer-related investments will not exceed 5% of the Fund's total asset value. The Trustee will monitor this on an ongoing basis to ensure compliance.

### **Direct investments**

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustee will obtain appropriate written advice from their investment advisers.

### **Additional Voluntary Contributions ("AVCs")**

Prior to its closure, the Fund provided a facility for members to pay AVCs into the Fund. The Trustee's objectives with regards to the AVC facility, is to maximise, so far as is reasonable, the AVC assets over the long term with an acceptable degree of variation. Although no further contributions will be paid into these arrangements, existing AVC funds continue to be held with Aviva. The Trustee will review these legacy AVC funds as prescribed by any regulatory guidance.

**Insurance Policies**

The Trustee holds insurance policies with Aviva that secure the pensions payable for a portion of pensioner members.

**Compliance**

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustee consulted the sponsoring company and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

Signed on behalf of the Trustee of the R G Carter Pension Fund Limited (the Trustee of the Fund).

**Signed:**

*RICHARD MARK JEFFRIES*

**Signed:**

*Chair and authorised signatory  
on behalf of R G Carter Pension Fund Trustee Ltd*

**Date:** *24 March 2022*.....

## Appendix A – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustee has considered and sought to manage is shown below.

The Trustee adopts an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

<b>Risks</b>	<b>Definition</b>	<b>Policy</b>
Investment	The risk that the Fund's position deteriorates due to the assets underperforming.	<ul style="list-style-type: none"> <li>• Selecting an investment objective that is achievable and is consistent with the Fund's funding basis and the sponsoring company's covenant strength.</li> <li>• Investing in a diversified portfolio of assets.</li> </ul>
Funding	The extent to which there are insufficient Fund assets available to cover ongoing and future liability cash flows.	<ul style="list-style-type: none"> <li>• Funding risk is considered as part of the investment strategy review and the actuarial valuation.</li> <li>• The Trustee will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.</li> </ul>
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Fund.	<ul style="list-style-type: none"> <li>• When developing the Fund's investment and funding objectives, the Trustee takes account of the strength of the covenant ensuring the level of risk the Fund is exposed to is at an appropriate level for the covenant to support.</li> </ul>

The Fund is exposed to a number of underlying risks relating to the Fund's investment strategy, these are summarised below:

<b>Risk</b>	<b>Definition</b>	<b>Policy</b>
Interest rates and inflation	The risk of mismatch between the value of the Fund assets and present value of liabilities from changes in interest rates and inflation expectations.	To target a hedge ratio of c.70% of technical provisions liabilities.
Liquidity	Difficulties in raising sufficient cash when required without adversely	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and

	impacting the fair market value of the investment.	to provide collateral to the LDI and synthetic equity manager.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Fund for the risk of default.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Fund's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory The Trustee monitors the managers on an ongoing basis.
Currency	The potential for adverse currency movements to have an impact on the Fund's investments.	Hedge all currency risk on all assets that deliver a return through contractual income.
Non-financial	Any factor that is not expected to have a financial impact on the Fund's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

## Appendix B

The Trustee has the following policies in relation to the investment management arrangements for the Fund:

<b>How the investment managers are incentivised to align their investment strategy and decisions with the Trustee's policies.</b>	<ul style="list-style-type: none"><li>• As the Fund is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustee's policies. However, the Trustee invests in a portfolio of pooled funds that are aligned to the strategic objective.</li></ul>
<b>How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.</b>	<ul style="list-style-type: none"><li>• The Trustee reviews the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements.</li><li>• The Trustee monitors the investment managers' engagement and voting activity on an annual basis as part of their ESG monitoring process.</li><li>• The Trustee does not incentivise the investment managers to make decisions based on non-financial performance.</li></ul>
<b>How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustee's policies.</b>	<ul style="list-style-type: none"><li>• The Trustee reviews the performance of all of the Fund's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives.</li><li>• The Trustee evaluates performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years.</li></ul>
<b>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</b>	<ul style="list-style-type: none"><li>• The Trustee does not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.</li></ul>
<b>The duration of the Fund's arrangements with the investment managers</b>	<ul style="list-style-type: none"><li>• The duration of the arrangements is considered in the context of the type of fund the Fund invests in.</li><li>• For open ended funds, the duration is flexible and the Trustee will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.</li></ul>



## **Appendix C**

The ISC has agreed an Environmental Social and Governance Policy, which formalises the Trustee's ESG beliefs and its policy on how ESG factors should be integrated in investment decision-making.

The Trustee defines Responsible Investment ("RI") in line with the UN-backed Principle for Responsible Investing ("PRI"), which states that RI is an approach to investing that aims to incorporate ESG factors into investment decisions, to better manage risk and generate sustainable, long term returns.

### **Risk Management**

- ESG factors such as climate change are important for risk management and can be financially material. Managing these risks forms part of the fiduciary duty of the Trustee.
- The Trustees believe that ESG integration leads to better risk adjusted outcomes and want a positive ESG tilt to the investment strategy.

### **Approach/Framework**

- The Trustees want to understand how asset managers integrate ESG within their investment process and in their stewardship activities.
- The Trustees believe that sectors aiming for positive social and environmental impacts may outperform as countries transition to more sustainable economies. Where possible the investment strategy will seek to allocate to these sectors.
- The Trustees will consider the ESG values and priority areas of the stakeholders and sponsor and use these to set ESG targets.

### **Voting & Engagement**

- ESG factors are relevant to all asset classes and, whether equity or debt investments, managers have a responsibility to engage with companies on ESG factors.
- The Trustees believe that engaging with managers is more effective to initiate change than divesting and so will seek to communicate key ESG actions to the managers in the first instance.
- The Trustees want to understand the impact of voting & engagement activity within their investment mandates.

### **Reporting & Monitoring**

- ESG factors are dynamic and continually evolving, therefore the Trustees will receive training as required to develop their knowledge.
- The Trustees will seek to monitor key ESG metrics within their investment portfolio to understand the impact of their investments.

### **Collaboration**

- Asset managers should be actively engaging and collaborating with other market participants to raise ESG investment standards and facilitate best practices as well as sign up and comply with common codes such as UNPRI and TCFD.