

The Wilfred T Fry Limited Retirement Benefits Scheme

Statement of Investment Principles

September 2019

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1. INTRODUCTION

- 1.1 This document outlines the investment principles adopted by the Trustee in relation to the Wilfred T Fry Limited Retirement Benefits Scheme (“the Scheme”). The sponsoring employer is Wilfred T Fry Limited.
- 1.2 This document has been prepared in order to comply with the requirements of the Legislation, in particular:
- Section 35 of the Pensions Act 1995
 - The Occupational Pension Schemes (Investment) Regulations 2005.
 - The Occupational Pension Schemes (Investment) (Amendment) Regulations 2010.
 - The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018
- 1.3 The Trustee has also considered:
- The 2001 Myners review of institutional investment (and subsequent updates)
 - Guidance issued by the Pensions Regulator
 - The UK Stewardship Code
- 1.4 In preparing this Statement the Trustee has taken written advice from Quattro Pensions, their appointed investment adviser (Appendix A). The Trustee has also consulted with the sponsoring employer (Appendix B).
- 1.5 The advice and consultation process considered the suitability of the Trustee’s investment policy for the Scheme, which the Trustee monitors regularly.
- 1.6 The Scheme provides defined benefits and is exempt approved. There is no employer-related investment and none is intended. The employer intends to pay all contributions in accordance with the agreed Schedule of Contributions.
- 1.7 The Trustee will review this document at least every three years.
- 1.8 A copy of this Statement is available for inspection by Scheme members.

2. GOVERNANCE STRUCTURE

2.1 The Trustee sets the general investment policy, based on professional advice, but delegates responsibility for day to day investment decisions to their appointed investment managers. The Trustee ensures that any person to whom such responsibility is delegated is authorised under the Financial Services and Markets Act 2000. A copy of this Statement will be provided to the investment manager.

2.2 The Trustee's responsibilities include, but are not limited to the following tasks:

- setting the overall investment objectives in light of the Scheme's circumstances
- making strategic investment decisions to achieve these objectives, eg the risk / return profile and proportion of the investments to hold in which asset classes
- reviewing the content of this document and amending if necessary, in consultation with the employer and based on written advice from appropriately qualified advisers
- ensuring the investment policy remains appropriate for the nature of the Scheme's liabilities and given the strength of support from the employer
- ensuring that benefits can be paid as and when they fall due
- appointing the investment managers and investment advisers
- monitoring the investment returns achieved by the investment managers
- ensuring compliance of the investment arrangements with the principles outlined in this document.
- ensuring compliance with regulatory guidance and matters of law as required of trustees

2.3 The investment manager's responsibilities include:

- using their discretion to invest the assets of the Scheme as they deem appropriate, within the guidelines contained in this document
- having regard to the need for diversification
- providing the Trustee with regular statements describing the investment performance of funds under their management, as well as comparable figures from benchmark indices

2.4 The investment adviser's responsibilities include:

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- advising on an appropriate investment strategy to meet the Trustee's investment objectives within an appropriate level of risk
 - advising the Trustee on the choice of investment managers and alerting the Trustee to any significant changes at the investment managers

2.5 The Scheme's lawyer may be consulted to advise on:

- How the Trustee's investment strategy achieves and maintains compliance with Legislation
- The contractual aspects of agreements with investment managers

2.6 The Scheme Actuary's responsibilities include:

- performing the statutory valuations and advising the Trustee of any significant changes in liability profile that could affect the investment strategy

2.7 The Scheme Administrator's responsibilities include:

- advising the Trustee of the cash required to meet benefit payments as and when they fall due. This includes provision of periodic cash flow forecasts

3. BELIEFS

The Trustee's investment beliefs, which underpin their decision making, are as follows:

- 3.1 Risk is necessary to achieve return, but not all risks are rewarded.
- 3.2 Risks that are not sufficiently rewarded should generally be avoided, hedged or diversified.
- 3.3 Well governed companies that manage their businesses in a responsible way will produce higher returns over the long term.
- 3.4 Climate change could be a long-term risk for the scheme and has the potential to impact the scheme's investment strategy.
- 3.5 Investing responsibly and engaging as long-term owners reduces risk over time and may positively impact scheme returns.

4. OBJECTIVES

4.1 The Trustee's investment objectives are as follows:

- to acquire suitable assets such that these, together with the investment of new contributions from the employer, are expected to be sufficient to meet the cost of current and future benefits as they fall due
- to limit the risk of assets failing to meet the liabilities over the long term
- to minimise the long term costs of the Scheme by maximising the return on the assets, whilst having regard to the objectives above
- to achieve a positive real return over the long-term
- to manage the volatility of returns, in order to control the risk of volatility in the employer's contributions
- to pay due regard to the sponsoring employer's preferred investment strategy coupled to the Trustee's perception of the employer's ability to fund higher contributions should the returns achieved from the agreed investment strategy require additional cash injections

4.2 The Trustee sets the investment objectives in the expectation that the Scheme is continuing as a closed scheme for the long term. If the Trustee becomes aware of circumstances which lessen the certainty of this the Trustee will take steps to adjust the investment strategy as appropriate at the time.

5. CURRENT INVESTMENT STRATEGY

The kinds of investment to be held

5.1 The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property, alternatives, LDI, and annuity policies. The Trustee monitors from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this exceeds 5% of the portfolio.

Asset allocation

5.2 The Trustee has delegated the day to day management of their funds to Legal and General (Pensions Management) Limited (L&G). The asset allocations are broadly as follows:

Fund	Allocation
L&G Dynamic Diversified Fund	68%
L&G Active Corporate Bond (All Stocks) Fund	29%
L&G Cash Fund	3%

5.3 The asset allocations are approximate at date of writing and may change over time as a result of market movements or cash disinvestments.

Manager's Objectives

5.4 The manager of the funds is aiming to achieve the following:

Fund	Management Type	Performance Objective
L&G Dynamic Diversified Fund	Active	Achieve Base Rates +4.5% pa, with less than 2/3 rd s of the volatility of equities
L&G Active Corporate Bond (All Stocks) Fund	Active	Markit iBoxx £Non-Gilt Index plus 0.75% pa
L&G Cash Fund	Active	7 Day LIBID

The balance between different kinds of investment

5.5 Broadly speaking, the Trustee regards the Active Corporate Bond Fund and Cash Fund as being "protection" assets, whilst other assets are invested in the Diversified Growth Fund for growth. The overall split between growth and protection assets is therefore, approximately, 30% growth, 70% protection.

Expected return on investments

5.6 The Trustee expects total long-term average returns in excess of 4.8% pa, the assumption made in the Recovery Plan, as set out in the Statement of Funding Principles (as revised from time to time).

Manager Monitoring

5.7 The Trustee will assess the performance of the investment manager regularly. The Trustee will consider the manager's compliance with the requirements of the Pensions Act concerning diversification and suitability, where relevant.

Rebalancing

5.8 The Trustee and the employer have agreed that automatic rebalancing will occur for the non-cash element of the funds with Legal and General (Pensions Management) Limited as follows:

Fund ("PF Section")		Central Benchmark	Tolerance %
MAAC	Dynamic Diversified Fund	70%	65% - 75%
DC	Active Corporate Bond – All Stocks	30%	25% - 35%
	Total	100%	

5.9 The Trustee will review the asset allocation, and may change those shown in the above table, at least every three years in the light of actuarial valuations. Similarly, the Trustee will review the choice of investment manager at least every three years. Any changes to the strategy or to the manager will be made only after obtaining written investment advice and after consulting with the employer.

Additional Voluntary Contributions (AVCs)

5.10 A small amount of money is held in respect of Additional Voluntary Contributions (AVCs) paid by some members into the Scheme. AVC funds are invested separately from the main investments, in funds held with Equitable Life. The liability in respect of these AVC funds is equal to the value of the investments bought by the contributions. The Trustee's intention is to leave the AVC funds invested with Equitable Life until all affected members have retired.

6. SUITABILITY

Scheme Funding

6.1 The Trustee has taken advice from the Scheme Actuary to confirm that the expected return from the Scheme's investment strategy is consistent with the funding plan.

Risk capacity

6.2 Risk capacity is the maximum level of risk that the Trustee believes it is appropriate to take in the investment strategy.

6.3 The Trustee has acknowledged that the strategy is likely to result in some volatility of the funding position, and additional contributions may be needed from the employer to support the policy.

6.4 The Trustee monitors the employer's covenant regularly and is satisfied that the employer is able to underwrite the risks within the current investment strategy.

Risk appetite

6.5 Risk appetite is a measure of how much risk the Trustee is willing to take within the investment strategy, having considered the employer's views and the maximum risk capacity. The Trustee and the sponsoring employer have agreed that the Scheme's existing asset allocation is suitable for the long-term and consistent with their risk appetite.

6.6 The Trustee will continue to monitor the employer's covenant and may adjust the investment strategy if there is a change in the covenant strength.

7. TRUSTEE INVESTMENT POLICIES

Liquidity and cashflow management

- 7.1 Through the information provided by the Scheme Administrator the Trustee will monitor the cash flow requirements of the Scheme regularly.
- 7.2 The Trustee maintains a bank account and aims to maintain a cash balance sufficient to cover up to 6 months' of the Scheme's net cash outgo. This cash balance can be reviewed from time to time.
- 7.3 When investments or disinvestments are required the Trustee will consider at the time which fund should be used to accept or provide the money.
- 7.4 The Trustee's policy is to ensure that the invested assets are sufficiently realisable to enable the Trustee to meet their obligations to provide benefits and management expenses as they fall due.

Custody Risk

- 7.5 The investment manager is responsible for the appointment and monitoring of the custodians of the fund's assets.

Financially material considerations (including ESG)

- 7.6 The Trustee believes that good stewardship and environmental, social and governance ("ESG") issues may have a material financial impact on investment returns.
- 7.7 The Trustee has given each individual fund manager their full discretion when evaluating ESG issues and in exercising rights, engagement activities¹, and stewardship obligations attached to the Scheme's investments. However, the extent to which these factors are taken into account by the fund manager in the selection, retention and realisation of investments is considered by the Trustee as part of the process of selecting organisations with which to invest. The Trustee reserves the right to request from the manager information regarding their actions.
- 7.8 As a global investor, Legal and General engages with companies to ensure that they integrate ESG into their everyday thinking, in order to develop resilient strategies, think longer-term and consider all stakeholders.
- 7.9 The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code, and the investment manager has stated corporate governance policies which comply with these principles.

¹ Under the Legislation "Engagement activities" include the methods by which, and the circumstances under which, the trustee would monitor and engage with relevant persons about relevant matters. "Relevant matters" includes (but is not limited to) matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance. "Relevant persons" includes (but is not limited to) an issuer of debt or equity, an investment manager or another holder of debt or equity.

7.10 The Trustee does not take any non-financial² matters into account in the selection, retention and realisation of investments.

Delegation of Voting Rights

7.11 Similarly, the Scheme's voting rights are exercised by the fund manager in accordance with their own corporate governance policies and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

Long-term journey planning

7.12 The Trustee plans to reduce risk in the investment strategy over time. Following each funding update (currently performed annually), the Trustee will ask the Scheme Actuary to advise on the extent to which the investment strategy could, according the funding plan, be de-risked without requiring additional employer contributions or extending the recovery plan. However, the Trustee will not operate automatic de-risking but will consider the options for investment strategy at each review.

Liability hedging

7.13 The Trustee does not set any targets for liability hedging ratios for the Scheme.

² Under the Legislation, “non-financial matters” means the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the trust scheme

8. INVESTMENT RESTRICTIONS

8.1 No direct investment shall be made in any of the following:

- securities issued by the sponsoring employer.
- property owned by or leased to the sponsoring employer.
- securities issued by associate companies of the investment manager.

8.2 The Trustee recognises that where investments are held in insurance company pooled funds or an investment company and recognise that they may not be able to apply investment restrictions. However, for any direct investment or where feasible the following additional restrictions shall be observed by the investment manager:

- It is expected that no more than 10% of the Scheme assets will be invested in futures, options, currency forwards, hedge funds, or derivatives as part of efficient portfolio management.
- No more than 5% of the Scheme assets can be held in the securities of any one company unless this is an investment company where the underlying assets are highly diversified.
- No more than 5% of the Scheme assets can be invested in assets that are not readily realisable.
- There should be no gearing of the portfolio.
- The manager may not use the portfolio to underwrite new issues.

9. RISK MANAGEMENT

9.1 The Trustee recognises that there are a number of risks involved with investment of the assets of the Scheme.

- *Volatility / capital loss:* the investments are subject to market fluctuations and other risks inherent in investing in securities. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount they invest. There is no certainty that the investment objective of a fund will actually be achieved. The Trustee mitigates against this risk by diversifying assets across a range of investments
- *Solvency risk and mismatching risk:* the Trustee reviews the strength of support provided by the employer regularly, and will review the investment strategy immediately if it becomes aware that the covenant has worsened to the extent that the employer is at risk of insolvency.
- *Risk versus measurement of Scheme liabilities:* the Trustee believes the employer's covenant is strong enough to support the level of risk within the investment strategy, but will review this at least at each triennial valuation.

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- *Manager risk*: addressed by the performance objectives set out in Section 4; and by regular monitoring of each manager's performance.
 - *Liquidity risk*: the Trustee will monitor cash flow requirements regularly.
 - *Political risk*: the risk of political intervention having an adverse effect on asset performance is reduced by diversification of the assets across companies, geographical regions and restrictions on the amounts invested in foreign countries.
 - *Currency risk*: the risk of mismatching the currency of the assets to that of the liabilities is reduced by the choice of fund or restricting the amount of overseas investment.

9.2 The Trustee will regularly monitor these risks.

This statement has been agreed by the Trustee

On..... 26 September 2019

Signed on behalf of the Trustee by

Name Paul Stanbridge Signature Paul Stanbridge

PTL Governance Ltd - Client Director

APPENDIX A

Private and Confidential
PTL Governance Limited
c/o Paul Stanbridge
by email

26 September 2019

Dear Paul

**The Wilfred T Fry Limited Retirement Benefits Scheme (the “Scheme”)
Investment Strategy**

As required by Section 35 (5) of the Pensions Act 1995 I am pleased to provide you with written advice as to the suitability of the investment strategy you have in place with respect to the Scheme. The purpose of this letter is to consolidate the advice I have previously given and to act as a single point of reference for the Statement of Investment Principles (SIP).

I give this advice in my capacity as a representative of Quattro Pensions who are licensed by the Institute and Faculty of Actuaries to provide a limited range of investment advice.

I can confirm that I believe the investment strategy described in the SIP to which this letter is attached is, in my opinion, suitable to the needs of the Scheme and in line with your objectives.

I recommend the investment strategy is reviewed following the results of future actuarial valuations and earlier if there is a significant weakening of the employer covenant.

Yours sincerely

Mark Frost

Mark Frost FIA

APPENDIX B

Private and Confidential
PTL Governance Limited
c/o Paul Stanbridge
by email

26 September 2019

Dear Paul

**The Wilfred T Fry Limited Retirement Benefits Scheme (the “Scheme”)
Investment Strategy**

As the sponsoring employer of the Scheme, we are required under Section 35 5(b) of the Pensions Act 1995 to confirm to the Trustee that we have been consulted about the investment strategy of the scheme.

This letter is to confirm that:

- We have read the Statement of Investment Principles dated September 2019;
- We have been consulted about this investment strategy;
- We have no further comments to make in addition to those we have already expressed during the formulation of this investment strategy.

Yours sincerely

Richard Butler

For and on behalf of
Wilfred T Fry Limited

APPENDIX C

The Wilfred T Fry Limited Retirement Benefits Scheme (the “Scheme”)

Addendum to Statement of Investment Principles

September 2020

This document updates the Trustee’s Statement of Investment Principles (SIP), and should be read in tandem with that document. Its purpose is to:

- set out further details of the Trustee’s policies in relation to the stewardship of the Scheme’s assets,
- describe the arrangements that exist between the Trustee and the asset managers, and
- to ensure the SIP remains compliant with the relevant legislation:
 - Section 35 of the Pensions Act 1995
 - Section 244 of the Pensions Act 2004
 - The Occupational Pension Schemes (Investment) Regulations 2005
 - The Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification Regulations 2018)
 - The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

Monitoring the capital structure of investee companies

The Trustee delegates the responsibility for monitoring the make-up and development of the capital structure of investee companies to their Investment Manager.

Managing conflicts of interest

The Trustee has a formal conflict of interest policy and register, which is reviewed at each Trustee meeting. These documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Manager, while also setting out a process for the management of any such conflict of interest.

Incentivising asset managers

The Trustee will select Investment Managers who are primarily remunerated via an agreed fixed annual percentage of the asset value for each underlying fund. The Trustee may also agree to pay a performance related fee to its fund managers.

The Trustee does not directly incentivise the Investment Manager to align its investment strategy and decisions with the Trustee’s policies and objectives. Neither does the Trustee incentivise the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

However, the Trustee will review their Investment Managers from time to time and will select funds that they believe operate in line with the Trustee's policies and objectives, and will meet the Trustee's return requirements overall.

Evaluation of the asset manager's performance and remuneration

The Trustee will review the Investment Manager's remuneration and performance relative to the market costs and performance of managers with similar strategies.

Monitoring portfolio turnover

The Trustee expects the Investment Manager to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions.

The Trustee therefore does not set a specific portfolio turnover target for their strategy or the underlying funds.

The Investment Manager is expected to provide information on portfolio turnover and associated costs to the Trustee so that this can be a factor in the Trustee's review process.

The duration of the arrangement with the asset manager

The Trustee will consider on a regular basis whether or not the Investment Manager and AVC provider remain appropriate to continue to manage the Scheme's investments and AVC. The Trustee expects the Investment Manager to supply the Trustee with sufficient information regularly to enable them to monitor financial and non-financial performance.

Frequency of review

The Trustee will review Investment Managers' performance via the managers' own regular reports and will conduct a fuller review to consider all of the matters referred to above at least once every three years.

Signed on behalf of the Trustee by

Name Paul Stanbridge..... Signature...*Paul Stanbridge*...
PTL Governance Ltd