Bourne Group Holdings Retirement Benefits Scheme

Statement of Investment Principles – July 2023

1. Introduction

This statement sets out how, and the extent to which, the Statement of Investment Principles ('SIP') produced by the Trustees has been followed during the 12 month period to 30 June 2023. This statement has been produced in accordance with The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018 as amended and the guidance published by the Pensions Regulator.

The Trustees of the Bourne Group Holdings Retirement Benefits Scheme ("the Scheme") have drawn up this Statement of Investment Principles ("the Statement") in accordance with Section 35 of the Pensions Act 1995 ("the Act") and subsequent legislation.

The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments.

In preparing this Statement the Trustees have consulted with the Sponsoring Employer, although it affirms that no aspect of the strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

2. Investment Objectives

The Trustees believes it is important to consider the policies in place in the context of the investment objectives they have set.

The Trustee's overriding objective during the year to 30 June 2023 was to invest the Scheme in the best interests of the members and beneficiaries, and, in the case of a potential conflict of interest with the Employer, in the sole interest of the members and beneficiaries. Within this framework the Trustee has agreed the following objectives to provide guidance in its strategic management of the assets and control the various risks to which the Scheme is exposed. These objectives were in place throughout the Scheme year:

- The Trustees primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

3. Investment Strategy

The Trustees are responsible for the governance and investment of the Scheme's assets. The Trustees in conjunction with their Investment Managers consider the diversification of assets detailed below to be sustainable with regard to the liability profile of the fund and that the diversification will be achieved without undue concentration in a particular asset.

The exposure to the main asset classes as at 31 March 2023 is as follows:

Asset Class	Actual Allocation %
Equities	2.4%
Government Bonds (Fixed)	38.1%
Government Bonds (Index Linked)	27.0%
Corporate Bonds	16.7%
Cash	3.2%
Property	10.0%
Diversified Growth Fund	2.7%

Please note, the Scheme does not have a Strategic Asset Allocation and the above actual allocation will vary over time due to market movements.

4. Expected Return on Investments

The expected return on investments will be in line with the target investment strategy which is set to support the technical provisions discount rate and is aligned with the Trustees' long term funding target.

5. Decision making

Investment decisions are made collectively by the whole Trustee board. However if recommendations are made by Mercer which would be prudent to adopt without the whole Trustee Board being available to agree to the decisions, it has been agreed that two Trustees can agree to any changes on behalf of the whole Trustee board. The Trustees have adopted this structure as they believe they should ensure investment decisions are not delayed. The other Trustees are notified of any decisions made without undue delay.

The Trustees consider asset class selection to have the greatest effect in meeting their objectives and therefore focus on this before considering other aspects.

In considering the appropriate investments for the Scheme, the Trustees have obtained and considered the recommendation of Mercer and LGIM in respect of a portion of the funds to be invested. Mercer does not proceed with purchasing new investments or make changes to existing investments without consulting the Trustees. Both Mercer and LGIM are regulated by the Financial Conduct Authority ("FCA"). The Trustees believe all investment managers to be suitably qualified to provide such advice and carry the Scheme's assets. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

6. Investment Managers duties and responsibilities

The Trustees are long-term investors and do not look to change the investment arrangements on a frequent basis.

The Trustees have appointed Mercer and LGIM as Investment Managers to the Scheme.

The key duty of the Investment Managers is to select underlying investment managers suitable to each mandate within the Trustees' agreed asset allocation.

Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected. The Trustees look to their investment advisor for their forward-looking assessment of a manager's ability to deliver to targets over a full market cycle. This view will be based on the investment advisor's assessment of the manager's idea generation, portfolio construction, implementation and business management in relation to the particular fund that the Scheme invests in.

Where the assets of the Scheme are invested in multi-client pooled funds, the Trustees accept that they cannot specify the risk profile and/or return targets of the fund, however such pooled funds are chosen having considered the Scheme's requirements in order to align with the overall investment strategy and the Trustees' objectives.

The underlying investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Scheme.

None of the underlying managers in which the Scheme's assets are invested have performance based fees which could encourage the investment manager to make short-term investment decisions, potentially at the expense of long-term performance, in order to obtain a performance related fee.

The Trustees believe that the method of investment manager remuneration is consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, it will in turn encourage the investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The Trustees accept that they are unlikely to be able to influence the charging structure of the pooled funds in which the Scheme is invested, but are satisfied that the ad-valorem charges for the different underlying funds are clear and are consistent with each fund's stated characteristics. The Trustees are therefore satisfied that this the most appropriate basis for remunerating the underlying investment managers and is consistent with the Trustees' policies as set out in this SIP.

The Trustees believe that this is the most appropriate basis for remunerating managers.

7. Day-to-Day Management of the Assets

The Trustees delegate the day-to-day management of the assets to the Investment Managers. The Trustees have taken steps to satisfy themselves that the Investment Managers have the appropriate knowledge and experience for managing the Scheme's investments and that they are carrying out their work competently.

The Trustees review the continuing suitability of the Scheme's investments as well as the appointed managers. Any adjustments will be done with the aim of ensuring the overall level of risk and return is consistent with that being targeted.

As the Trustees invest in pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

The Trustees do not currently monitor portfolio turnover costs.

8. Realisation of Investments

In general, the Investment Managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments.

9. Rebalancing

The Trustees have delegated rebalancing decisions to the Investment Managers as and when necessary.

10. Risk Management and Measurement

There are various risks to which any pension scheme is exposed. The Trustees have considered the following risks:

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.

- These are managed by setting a scheme-specific strategic asset allocation with an appropriate level of risk.

Manager Risk

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.

- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process, and by appointing JLT IM to monitor and replace any managers where concerns exist over their continued ability to deliver the investment mandate.

Liquidity Risk

- This is monitored according to the level of cashflows required by the Scheme over a specified period.

- It is managed by holding an appropriate amount of readily realisable investments. The Scheme's assets are invested in pooled funds which are readily realisable.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through investing in funds which give a wide degree of diversification.

ESG Risk

- This is the risk that Environmental, Social or Corporate Governance concerns, including climate change, have a financially material impact on the return of the Scheme's assets.
- The Trustees manage this risk by investing in well-respected investment managers where ESG principles are appropriately included in the investment decision making process.
- The Trustees review ESG developments as part regular review of the investments performance.
- The Trustees are aware that Responsible Investing is one of the core beliefs of the Investment Managers. As a result, part of the decision making process of the Investment Manager in relation to the underlying investment managers is based on its financial stewardship and how well the investment manager integrates governance and sustainability into its investment process.

Sponsor Risk

- This is assessed as the level of ability and degree of willingness of the Sponsor to support the continuation of the Scheme and to make good any current or future deficit.
- It is managed by assessing the interaction between the Scheme and the Sponsor's business, as measured by a number of factors, including the creditworthiness of the Sponsor and the size of the pension liability relative to the Sponsor. Regular updates on employer covenant are provided to the Trustees by senior staff of the Sponsor.

Legislative Risk

- This is the risk that legislative changes will require action from the Trustees so as to comply with any such changes in legislation.
- The Trustee acknowledges that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Credit Risk

- This is the risk that is associated with the inability of a borrower to repay, in full or part the monies which it owes to a creditor.

- The Trustee acknowledges that the assessment of credit risk on individual debt instruments is delegated to the investment manager. The Trustee will however ensure that it is comfortable with the amount of risk that the Scheme's investment manager takes.

Market Risk

This is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of the following four types of risk:

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the Scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.

- The Trustee acknowledges that currency risk related to overseas investments is delegated to, and hedged where deemed appropriate, by the underlying investment managers.

Interest rate risk

- This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.

- The Trustees acknowledges that the interest rate risk related to individual debt instruments is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management.

Inflation

- This is the risk that an investment's value will change due to a change in the level of expected inflation. This affects debt instruments more directly than growth instruments.

- The Trustees acknowledge that the inflation risk related to individual debt instruments, are managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management.

- The Trustees recognise that the Scheme's liabilities are exposed to a significant level of inflation risk and for this reason it is desirable for the Scheme's assets to be exposed to a similar level of inflation risk.

Other Price risk

- This is the risk that principally arises in relation to the return seeking portfolio, which invests in equities, equities in pooled funds, equity futures, hedge funds, private equity and property.

- The Trustees acknowledge that a scheme can manage its exposure to price risk by investing in a diverse portfolio across various markets.

11. Financially Material Considerations

The Trustees recognise that they must consider all factors that have the ability to impact the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Trustees recognise that ESG factors, such as climate change, can influence the investment performance of the Scheme's portfolio and it is therefore in members' and the Scheme's best interests that these factors are taken into account within the investment process.

The Trustees accept the fact that they have a limited ability to directly influence the ESG policies and practices of the companies in which their managers invest as part of their pooled fund investments. Instead, the Trustees will rely on the policies and judgement of their underlying investment managers.

The Trustees have reviewed the ESG policies of each of the Scheme's underlying investment managers and note that each manager takes consideration of such risks within their respective funds. Each of the Scheme's Investment Managers believe that integrating ESG issues within the investment process leads to better long term outcomes and that the Trustees note that this is consistent with their own view. The Trustees note that none of the funds currently utilised adopt a specific ESG remit, e.g. low carbon.

The Trustees will periodically review the policies of their Investment Managers to ensure that these policies remain appropriate and consistent with their own beliefs.

12. Non-Financial Considerations

The Trustees only consider factors that are expected to have a financial impact on the Scheme's investments. Non-financial considerations, such as ethical views, are not implemented in the current investment strategy.

13. Environmental, Social and Governance Issues, Stewardship, and Climate Change

The Trustees believe that ESG issues have an impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly require explicit consideration.

The Trustees accordingly consider these issues in the context of the anticipated time horizon over which the assets will be held.

The Trustees do not directly manage its investments and their investment manager has full discretion to buy and sell investments within the various portfolios, within the guidelines of its mandates. ESG considerations are however taken into account in the selection, retention and realisation of investments in the following ways:

- The Trustees consider the ESG research ratings published by its investment advisors, Mercer, when monitoring the Scheme's investment manager's capabilities. These ratings are also considered as part of any new selection of investment funds.

- In meetings with the Scheme's investment manager, ESG issues are discussed and the manager is expected to discuss voting and engagement activities carried out on behalf of the Trustees for mandates where this is relevant.

- Whilst members' views are not explicitly taken into account in the selection, retention and realisation of investments, the Trustees welcome views from members.

The Trustees recognise that when the Scheme invests in pooled funds, they have no voting rights attached to the underlying investments. The Trustees have therefore given the investment managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Scheme's investments. The Trustees review the annual stewardship report, prepared by the investment manager, to understand the actions taken in these areas.

Similarly, the Scheme's voting rights are exercised by its investment manager in accordance with its own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code. The investment manager is expected to provide voting reports to the Trustees on request.

The Trustees are satisfied that this policy corresponds with its responsibilities to the beneficiaries of the Scheme.

Equity managers registered with the appropriate regulator are expected to report on their adherence to the UK Stewardship Code on an annual basis. The Trustees have not set any investment restrictions on the appointed investment manager in relation to particular products or activities, but may consider this in future.

14. Stewardship

The Scheme solely invests in pooled funds. The Trustee's policy is to delegate responsibility for engaging with, monitoring investee companies and exercising voting rights to the Scheme's investment managers. The Trustees expect the investment managers to use their discretion to act in the long-term financial interests of investors and exercise these rights in accordance with their respective published corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code

The Trustee notes that the investment managers' corporate governance policies are available on request and on their respective websites.

Where the Trustees are specifically invited to vote on a matter relating to corporate policy, the Trustees will exercise their right in accordance with what they believe to be the best interests of the majority of the Scheme's membership.

The Trustee reviewed the Scheme's stewardship priorities and agreed on selecting governance and financial outcomes as the Scheme's key stewardship priorities. The Trustee's also agreed to define significant votes as any votes related to the Trustee's stewardship priorities condition on the size of the holding being greater than 1% of the fund holdings. A summary of the significant votes are included in the Engagement Policy Implementation Statement.

Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Signed on behalf of the Trustees of the Bourne Group Holdings Retirement Benefits Scheme

Signed: [signature] Date: 28 JULY 2023

Name: H. DAVIS

Signed: [signature] Date: 28th July 2023.

Name: N. MOSS.