Berisford (1948) Pension Scheme

Statement of Investment Principles

1. Introduction

Purpose of Statement

1.1. The purpose of this Statement of Investment Principles ("the Statement") is to record the investment arrangements (and the rationale behind those arrangements) adopted by the Trustees of the Berisford (1948) Pension Scheme ("the Scheme"). The Trustees have drawn up this Statement to comply with the Pensions Act 1995 ("the Act") and subsequent legislation.

Advice

1.2. The Trustees have obtained written advice on the content of this Statement from Mercer, the investment adviser appointed by the Trustees ("the Investment Adviser"). The Investment Adviser provides both strategic and other investment advice as agreed between the Investment Adviser and the Trustees from time to time.

Consultation

1.3. The Trustees have consulted the sponsoring Company over Investment Objectives and Strategy and have taken the Company's views into account in setting both the objectives and strategic benchmark.

Investment Powers

1.4. The investment powers of the Trustees are set out in the Trust Deed and Rules of the Scheme. This Statement has been drawn up having regard to those powers.

2. Choosing Investments

Process for Choosing Investments

2.1. The Trustees employ the Investment Adviser to advise them in relation to the review of the long-term investment strategy. The Trustees then decide, having regard to advice from the Investment Adviser, on the proportion of the Scheme assets invested in the various asset classes (including annuity policies). Day-to-day selection of individual stocks for each asset class (excluding annuity policies) is delegated to investment managers. For the growth portion of the Scheme's assets, the Trustees have adopted an implemented approach whereby the asset allocation and manager selection decisions are delegated to the

Investment Adviser. The Trustees maintain ownership over manager selection decisions for the Scheme's bond portfolio, which are taken having regard to the Investment Adviser's advice.

3. Investment Objectives

3.1. To guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed, the Trustees have considered their objectives and adopted the following:

- To make sure they can meet obligations to beneficiaries of the Scheme.
- To pay due regard to the sponsoring Company's requirements with regard to the size and frequency of contribution payments.

Expected Return on Investments

3.2. The Trustees anticipate that the return on the investments selected will match or exceed the Scheme Actuary's funding assumption over the long term.

Risk

3.3. The Trustees pay close regard to the financially material risks which may arise, principally focussing on risks that arise through a mismatch between the Scheme's assets and its liabilities, and the risk which may arise from the lack of diversification of investments. The Trustees are satisfied that the spread of assets by type and the investment managers' policies on investing in individual securities provide adequate diversification of investments.

3.4. The Trustees take into account the following risks arising from the asset classes in which the Scheme invests

- *Interest rate risk* exists if the projected cash flow profile of the assets held differs from that of the projected liabilities.
- *Inflation risk* exists if the projected cashflows from the assets have different linkages to inflation from the projected liabilities.
- *Equity risk* reflects the possibility that the market value of equity securities may be adversely affected by short term movements in stock markets. The price of securities will be volatile and depend on the underlying companies' perceived profitability.
- *Credit risk* reflects the possibility that the payments due under a bond might not be made by the issuer, and similarly that the dividends expected from an equity investment might not be paid.

- *Counterparty risk* reflects the risk to each party of an insurance contract that the counterparty will not live up to its contractual obligations. Counterparty risk is a risk to both parties and should be considered when evaluating a contract. It can be viewed as the default risk of the entity on the other side of the contract.

- *Currency risk* will arise through investment in non-Sterling assets, given that the Scheme's liabilities are denominated in Sterling, because changes in exchange rates will impact the relative value of the assets and liabilities.

- *Volatility risk* concerns the stability of the market value of assets such as equities and property, where the price achievable may be particularly affected by short term sentiment and is not certain until the point of sale.

- *Regulatory risk* arises from investing in a market environment where the regulatory regime may change. This may be compounded by political risk in those environments subject to unstable regimes.

- *Liquidity risk* arises from holding assets that are not readily marketable and realisable.

- *Concentration risk* arises for example when a high proportion of the Scheme's assets are invested in securities, whether debt or equity, of the same or related issuers.

3.5. Given the Trustees' investment horizon, the Trustees believe that a degree of liquidity risk is acceptable because they expect to be rewarded for assuming it. Thus, a small proportion of the Scheme's assets may be invested in illiquid investments. The remainder will be invested in assets that are realisable at short notice.

3.6. The Trustees do not expect to be rewarded for assuming concentration risk, and will adopt overall investment arrangements that are intended to provide an appropriate spread of assets by type and spread of individual securities within each asset class.

3.7. The Trustees will also consider the balance between active and passive management, in asset classes where passive management is a practicable option. In determining this balance, the Trustees will consider whether active management offers sufficient potential to outperform to justify the additional risks and fees compared with passive management. The risks the Trustees will take into account include:

- *Active risk* in that the combination of assets held by an active manager will differ from the benchmark and may give rise to underperformance relative to passive management.

- *Tracking error risk* in that a passive manager may not have the skills to track the benchmark index within an appropriate degree of accuracy.

- *Manager selection risk* due to the potential for selecting (or failing to de-select in a timely manner) an active manager that fails to generate sufficient return in excess of the benchmark to justify the active risk taken and the higher fees charged than for passive management.

4. Investment Policy

4.1. After consultation with the Company, and having received a formal written advice from the Investment Adviser, the Trustees purchased a bulk annuity policy to meet the Scheme's liability for the majority of pensions in payment as at 19 March 2010. The insurance company concerned was chosen on the basis of a number of factors, including financial strength and the quoted premium.

4.2. The remainder of the Scheme's assets are currently managed to the following strategic benchmark:

Sector	**Benchmark Allocation %**	**Benchmark Ranges %**
Mercer Discretionary Growth Portfolio	20.0	15.0 to 25.0
Matching Portfolio	80.0	75.0 to 85.0
UK Corporate Bonds	*30.0*	
UK Index-Linked Gilts UK Long Duration Gilts	*50.0*	
Total Fund	**100.0**	

This strategy was chosen having regard of the nature of the Scheme's non-insured liabilities (e.g. the split between pensioners and non-pensioners) and the split between fixed and inflation-linked liabilities. The Trustees reviewed this strategy in 2019 and will review it in any event if there is a significant change of the Scheme's liability profile.

5. Day-to-Day Management of the Assets

Insurance Policy

5.1. The Scheme bulk annuity policy is with Rothesay Life Plc ("Rothesay Life"). Rothesay Life are responsible for managing the assets held to back their liabilities under this policy.

Invested Assets

5.2. The Trustees currently operate the growth portfolio on an 'implemented' basis. This means that the Trustees delegate the asset allocation and manager selection decisions for the growth assets of the Scheme to the Investment Adviser, Mercer. The Trustees operate the bond assets on an advisory basis and these are currently actively managed by Aberdeen Standard Investments ("ASI").

6. Asset Allocation Guidelines

Mercer – Growth Portfolio

6.1. The Trustees have delegated the allocation of assets and manager selection within the growth portfolio to Mercer.

The growth portfolio aims to deliver long term equity-like returns by investing in a diversified portfolio of global asset classes. Within the Growth Portfolio, both strategic and dynamic asset allocation decisions have been delegated to Mercer. Formal review of any strategic asset allocation occurs on an annual basis. In addition there is continuous review of these allocations with a view to making dynamic tilts to improve risk/return characteristics over a shorter time horizon. The Trustees receive quarterly updates on strategic and dynamic allocations as part of their quarterly investment monitoring.

Information about the investment objectives and investment policies of the underlying funds used within the Growth Portfolio is contained in their relevant Fund Supplements.

Aberdeen Standard Investments – Matching Portfolio

6.2. ASI manages the Scheme’s bond assets in accordance with the mandate outlined below:

<table>
<tr><th>Fund</th><th>Benchmark Allocation (%)</th><th>Benchmark Index</th></tr>
<tr><td>Long Corporate Bond Fund</td><td>37.5</td><td>Merrill Lynch UK Non-Gilt Over 10 Years</td></tr>
<tr><td>Index-Linked Bond Fund</td><td rowspan="2">62.5</td><td>FTA British Government Index-Linked Over 5 Years Gilts</td></tr>
<tr><td>UK Long Duration Gilt Index Fund</td><td>Bloomberg Barclays U.K. Government 15+ Years Float Adjusted Total Return GBP Index</td></tr>
<tr><td>Cash</td><td>0.0</td><td></td></tr>
<tr><td>Total</td><td>100.0</td><td>-</td></tr>
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7. Cashflow Policy

7.1. The Scheme is cashflow positive at the time of writing, due to deficit recovery payments being received from the sponsor. When deficit payments cease, the Scheme is expected to become cashflow negative. Cashflows both negative and positive, will be allocated between the two managers in order to maintain the equity bond split close to benchmark.

8. Monitoring the Investment Managers

8.1. The Trustees received detailed quarterly reports from the investment managers. The Trustees aim to meet each investment manager (i.e. Mercer and ASI) at least once a year to review each investment manager's actions together with the reasons for and background behind the investment performance. The Trustees carry out more detailed reviews of the service provided by their investment managers from time to time.

The Trustees expect the investment managers to comply with this statement and the Pensions Act 1995 and will monitor their compliance with it.

9. Investment Restrictions

9.1. The Trustees have not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

10. Member Views

10.1. Member views are not specifically taken into account in the selection, retention and realisation of investments. However, the Trustees are open to receiving representation from members and will keep this under review.

11. Responsible Investment and Corporate Governance

11.1. The Trustees believe that environmental, social, and corporate governance (ESG) factors may have a material 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 may require explicit consideration.

The Trustees have delegated day to day management of the assets to ASI for management of the Scheme's bond portfolio and to Mercer for management of the Scheme's Growth portfolio. Subject to certain restrictions, Mercer in turn delegates responsibility for the investment of the assets it manages to a range of underlying investment managers. Some funds within the Mercer Growth portfolio impose specific ESG-related requirements on the underlying investment managers. All of the Scheme's investment managers are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees consider how ESG, climate change and stewardship is integrated within ASI and Mercer's investment processes (and those of the underlying managers) in the monitoring process. Mercer and ASI are expected to provide reporting on a regular basis, at least annually, on ESG integration and stewardship.

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 the Trustees have appointed them for.

With regard to assets invested with ASI, the Trustees look to their investment consultant for their forward-looking assessment of the investment manager's ability to achieve the funds' investment objectives over a full market cycle. The consultant's manager research ratings assist with due diligence and questioning the manager during presentations to the Trustees. These ratings are used in decisions around selection, retention and realisation of manager appointments.

Quarterly reporting provided by Mercer, as manager of the Scheme's growth portfolio also includes research ratings and views on the underlying investment managers used within the fund.

If the investment objective for a particular fund changes, the Trustees will review the fund's appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives. Some of the Scheme's investments are actively managed and the managers are incentivised through performance targets (an appointment will be reviewed following periods of sustained underperformance or significant outperformance). The Trustees will review the appropriateness of using actively managed funds (on an asset class basis) from time to time.

The Trustees invest in pooled investment vehicles and accepts that they have no ability to specify the risk profile and return targets of the managers, but appropriate mandates have been selected to align with the overall investment strategy.

The Trustees will also consider the investment consultant's assessment of how ASI and the underlying investment managers within the Mercer growth portfolio embed ESG into their investment process This includes the investment managers' policy on voting and engagement. The Trustees will use this assessment in decisions around selection, retention and realisation of manager appointments.

The Trustees meet with the investment manager from time to time and can challenge decisions made including engagement activity, to try to ensure the best performance over the medium to long term.

The investment managers are aware that their continued appointment is based on their success in delivering the mandates it has been appointed to manage. If the Trustees are dissatisfied, then they will look to replace the managers.

The Trustees receive investment manager performance reports from the investment managers on a quarterly basis, which present performance information over 3 months, 1 year, 3 years and since inception. The Trustees review the absolute performance, relative performance against a suitable benchmark, and against the manager's stated target performance (over the relevant time period) on a net of fees basis. The Trustees regularly review this performance. The Trustees' focus is on long term performance but may put a fund 'on watch' if there are short term performance concerns.

The managers are remunerated by way of a fee calculated as a percentage of assets under management (an 'ad valorem' fee). If the manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustees may ask the manager to review its fees.

The Trustees benchmark the investment managers' fees from time to time.

The Trustees ask the investment managers to include portfolio turnover and turnover costs in its presentations and reports to the Trustees. The Trustees will engage with the manager if portfolio turnover is higher than expected. This is assessed by comparing portfolio turnover relative to the manager's specified portfolio turnover range in the investment guidelines or prospectus.

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

There is no set duration for the manager appointments. The Trustees will retain the investment manager and funds unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;

- The manager appointment is reviewed and the Trustees decide to terminate for a more suitable appointment.

12. Additional Assets

12.1. AVC assets are invested with Utmost and are closed to new contributions.

13. Investment Manager and Investment Adviser Fee Structures

Aberdeen Standard Investments

13.1. ASI charge a fee based on the assets under their management. There are no performance based fees.

Mercer

Implemented Mandate

13.2. Mercer charge a fee based on the assets under management in the growth portfolio for the implemented mandate. The underlying manager fees are payable in addition to Mercer fees. These underlying manager fees may include performance related fees.

Advisory Mandate

13.3. The Investment Adviser's fees comprise a fixed retainer fee for core services, with out-of-scope assignments being undertaken either on a time-cost basis or on the basis of fixed quotes for particular projects.

13. Review of this Statement

13.1. The Trustees will review this Statement on a regular basis (every 3 years as a minimum), and also review this Statement in response to any material and relevant changes to the Scheme, its liabilities, finances and the attitude to risk of the Trustees and the sponsoring Company. Any such review will be based on expert investment advice and will be in consultation with the Company.

14. Myners' Review and Code of Best Practice

14.1. The Trustees will also review this statement on an ongoing basis against the Myners Code of Best Practice for defined benefit pension schemes (revised in 2008). The Trustees understand that the primary purpose of the Code of Best Practice is to ensure that Trustees have the right skill set and decision-making structures and also that they have clear objectives for the Scheme which take in account the Scheme's unique liability profile and the strength of the Trustees relationship with the sponsoring Company.

G B Cuthbertson	July 2020
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For and on behalf of the Trustees of the Berisford (1948) Pension Scheme	**Date**