The Bunzl Pension Plan (‘the Plan’)

Statement of Investment Principles – August 2023

1. Introduction

The Trustee has adopted this Statement of Investment Principles (‘the Statement’) to comply with the requirements of the 1995 Pensions Act (‘the Act’), as amended, the Occupational Pension Schemes (Investment) Regulations 2005 and any subsequent legislation and to fulfil the spirit of the Code of Best Practice (‘the Code’) published in 2001. As required under the Act, the Trustee has consulted a suitably qualified person in obtaining advice from Mercer Limited (‘Mercer’). The Trustee in preparing this Statement has also consulted Bunzl plc (‘the Company’) as sponsor of the Plan.

The Plan has both a defined benefit (‘DB’) and a defined contribution (‘DC’) section. Sections 2 and 3 of this Statement address the DB element. Section 4 addresses the DC element. Sections 5 - 10 are relevant to both the DB and DC section.

This Statement includes:

- The aims and objectives for the DC section’s default arrangement as required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015, and other investment options In accordance with Regulation 2A(1) of the Occupational Pension Schemes (Investment) Regulations 2005;
- The Trustee’s investment beliefs, views on expected risk and return and policies on responsible investing in accordance with Regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005 as modified by subsequent Regulations and section 35 of the 1995 Act.

This Statement will be reviewed at least every three years or more frequently as required by the Regulations.

The Trustee will publish on-line the Statement of Investment Principles each year from 1 October 2020. The Trustee will prepare an Implementation Statement, describing how the policies and practices described in the Statement of Investment Principles have been implemented during the last year.

DEFINED BENEFIT SECTION

2. Overall Policy

The strategic management of the assets is fundamentally the responsibility of the Trustee and is driven by their investment objectives as set out below. Day-to-day management of the assets is delegated to professional investment managers. This assignment of responsibilities is consistent with advice from Mercer.

2.1 Investment Objectives

The Trustee’s overall investment policy is guided by the following objectives:

- The Trustee believes its prime duty is to endeavour to ensure that Plan members receive their promised benefits. To that end the Trustee’s approach to investment involves considering firstly the least risk approach in terms of asset strategy and secondly the attitude of the sponsoring Company towards investment risk. The Trustee believes the Company is committed to meeting the promised benefits and that the Company is financially strong.

The Trustee and the Company are currently exploring a number of potential options with the aim of increasing the ongoing security of members' pension promises.

2.2 ESG, Stewardship, and Climate Change

The Trustee believes that environmental, social, and corporate governance (ESG) factors have a material impact on investment risk and return outcomes, and that good stewardship, exercised through voting and engagement, can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustee has given the appointed investment manager discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights (where applicable) and stewardship obligations attached to the investments, in accordance with their own corporate code and UK stewardship code.

The Trustee will consider how ESG, climate change and stewardship is integrated within investment processes in appointing new investment managers and monitoring existing investment managers. Monitoring is undertaken on a regular basis and is documented periodically.

The Trustee has not set any investment restrictions on the appointed investment manager in relation to particular products or activities, but may consider this in the future.

2.3 Member views

Member views are not taken into account in the selection, retention and realisation of investments.

2.4 Risks

All UK pension schemes face a variety of different risks. These include:

i. The risk that the ongoing funding position will be unduly volatile.

ii. The risk that there would be insufficient assets to meet a scheme's accrued liabilities in the event a scheme was discontinued.

iii. The risk associated with employing active managers.

The Trustee has considered these risks in relation to the Plan and the investment strategy and manager structure outlined below has been designed to meet the Trustee's main objectives and to control the risks identified above.

The Trustee recognises that:

i. The consideration of financially material considerations, including ESG factors and climate risk, are relevant over the appropriate time horizon for the defined benefit section; and

ii. The financial materiality of any factor, including ESG factors and climate risk, may be relevant to different degrees according to the asset class or classes in which a fund invests.

The Trustee will consider financially material considerations, including ESG factors and climate risk in the development and implementation of the Plan's investment arrangements for the purposes of determining the selection, retention and realisation of investments where there is sufficient data or evidence to allow them to systematically do so. The Trustee may also seek to engage with the investment manager to ensure they take such considerations into account within their decision making, and challenge where appropriate.

2.5 Investment Strategy

To limit the volatility in the funding levels of the Plan, the Trustee has elected to set the amount of interest rate hedging and inflation hedging in the Plan at approximately 100% of its estimated solvency liabilities. The Plan uses geared funds so the exact hedging percentage will be variable as the gearing changes, however the appointed investment manager for this mandate will rebalance the interest rate and inflation hedging within set tolerance ranges.

The risk budget is a measure of the potential variation in the return on the assets compared to the change in the value of members' benefits (the liabilities). The higher the risk budget, the more risk the Trustee runs of falls in funding level but the higher the expected return on the assets.

The Trustee has adopted a benchmark allocation of 100% Matching Assets (comprising bonds and cash). The Strategic Asset Allocation ("SAA") of the Plan is provided in the table below:

Asset Class	SAA (%)
Total Matching	**100.0**
Corporate Bonds	35.0
Liability Hedging Portfolio	65.0
Total	**100.0%**

The Trustee considers that this division of assets together with the manager structure (see 3 below) provides a suitably diversified overall portfolio in the context of the investment objectives.

In the event the Trustee needs to realise assets to meet benefit outgoings, decisions on sourcing the disinvestment are made on a case-by-case basis.

The Plan's manager structure is revised as appropriate in order to maintain consistency with the risk and return targets and investment objectives.

3. Day-to-Day Management of the Assets

The Trustee believes active managers can add value but that it is prudent not to rely wholly on active management and thus the Trustee employs a mixture of active and passive management. The Trustee delegates day-to-day investment management to the investment manager. The role of the manager is described below.

3.1 Legal & General Investment Management ('LGIM')

LGIM manages 100% of the Plan's assets, comprising the Corporate Bond and a Liability Hedging Portfolio (hereinafter "the Combined Asset Portfolio").

Following the implementation of the Enhanced Service Agreement ("ESA") in April 2023, LGIM assesses the Combined Asset Portfolio against the agreed tolerances and will rebalance the Liability Hedging Portfolio such that the risk characteristics of the Combined Asset Portfolio match that of the target hedge ratios of 100% (on the estimated solvency liabilities) within the agreed tolerances.

3.2 Monitoring the Manager

The Trustee retains the assistance of Mercer as investment adviser to provide further help in monitoring the investment manager. The Trustee receives quarterly written reports from the investment manager and Mercer. The Trustee meets the manager to discuss their performance, activity and other issues at least annually.

3.3 Realisation of Investments/Liquidity

The Trustee recognises that in order to help achieve their investment objectives they are able to tolerate a degree of illiquidity within the Plan's asset portfolio. At present, all of the assets of the Plan are held in pooled funds and are realisable at short notice through the sale of units if liquidity is required.

<u>DEFINED CONTRIBUTION SECTION</u>

4. Overall Policy

4.1 Investment Objectives and Restrictions

The Trustee recognises that individual members have differing investment needs and has thus adopted the following objective:

"To make available a range of investment vehicles which should meet the varying investment needs and risk tolerances of Plan members".

In arriving at this objective the Trustee has considered the following risks:

i. That inadequate investment returns lead to a low level of pension.

ii. That relative market movement, particularly in the years close to retirement, leads to a reduction in members' anticipated pension and cash lump sum.

iii. That active investment managers can underperform markets.

4.2 Default Investment Option

The Plan is not used for auto-enrolment and so is not required to have a default arrangement. Nevertheless, the Trustee believes it is important that members can participate in the Plan without needing to make investment choices.

The Trustee has selected a default investment option in the DC section that they believe reflects the retirement benefit option that is considered to be the most appropriate, for an average individual, and for members who do not decide how they wish to take their retirement benefits and tailor their own investment choices appropriately:

- To provide good member outcomes at retirement;
- To generate returns in excess of inflation in a mix of assets with a moderate investment risk mitigate by investing in a wide range of diversified asset classes.

Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members.

Assets in the default option are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.

The assets are invested in the diversified growth fund with LGIM. The selection, retention and realisation of assets are delegated to the underlying fund manager. The underlying fund manager has full discretion on how and whether they implement the social, environmental or ethical considerations to the extent to which these are detailed in section 2.2 of this SIP.

4.3 Investment Funds

In addition to the default option, the Plan offers members a choice of self-select funds because:

- While the default arrangement is intended to meet the needs of a majority of the Plan's DC members, it may not meet the needs of a wider cross-section of members;
- Attitudes to investment risks and the need for investment returns will vary from member to member and will also vary for each member over time and, in particular, as they approach retirement;
- Members have differing investment needs and these needs change during their working lives; and
- Some members will want to be more closely involved in choosing where their contributions are invested.

The objectives of the self-select fund range are to:

- Provide a choice of individual funds for members who want to be more closely involved in choosing where their pension funds are invested;
- Provide a broader choice of levels of investment risk and return;
- Provide a broader choice of investment approaches;
- Help members more closely tailor how their pension funds are invested to their personal needs and attitude to risk;
- Help members more closely tailor how their pension funds are invested to reflect the benefits they intend to take at retirement.

The Trustee has for the time being decided not to employ active managers. As such all the investment vehicles are passive index tracking funds. The Trustee has appointed LGIM as the fund manager. The funds available are:

1. *Multi Asset Fund (formerly Consensus Index Fund).* This fund aims to provide a long term investment growth through exposure to a diversified range of asset classes, excluding physical property.
2. *Specialist equity funds.* The following six funds are available: UK Equity Index Fund; North American Equity Index Fund; Japan Equity Index Fund; Pacific Basin (ex Japan) Equity Index Fund; European (ex UK) Equity Index Fund; and a Global Equity (50:50) Index Fund. Each fund aims to produce a return as close as possible to the relevant FTSE index return.

3. *Gilts, Index-Linked Gilts, Corporate Bonds and Cash funds.* An Over 15 Year Gilts Index Fund, an Over 5 Year Index-Linked Gilts Index Fund, a AAA-AA-A Corporate Bond Fund and a Cash Fund are available. The Gilt fund aims to produce a return as close as possible to the FTSE Over 15 Year Gilts Index. The Index-Linked Fund aims to produce a return as close as possible to the FTSE Over 5 Year Index-Linked Gilts Index. The Corporate Bond Fund aims to produce a return as close as possible to the IBOXX £ Non Gilts (ex – BBB) index. The Cash Fund aims to produce a competitive rate of return relative to other similar funds.

4. *Diversified Growth Fund.* This fund is invested 40% in equities, 40% in bonds and 20% in alternative investments. The investment objective of the Fund is to provide long-term investment growth through exposure to a diversified range of asset classes.

Ability to invest/disinvest promptly

The Trustee recognises that it is important that members' contributions can be invested promptly in selected investment funds, and that these can be sold promptly for example when members wish to change where they are invested, transfer to another arrangement or if they wish to draw on their pension pot. The Trustee manages this risk by selecting pooled investment funds which can be dealt on a daily basis. The fund manager is responsible for monitoring the ability for members to invest and disinvest promptly and is expected to notify the Trustee if a situation develops whereby there is any restriction on the ability for members to do so. For example, this situation could occur in the event of significant economic uncertainty impacting on the ability for fund managers to value the underlying assets.

The Trustee expects that the fund managers will normally be able to sell the funds within a reasonable timescale. There may, however, be occasions where the fund managers need to impose restrictions on the timing of sales and purchases of funds (most notably for funds investing in property) in some market conditions to protect the interests of all investors in that fund. Nevertheless, the Trustee recognises that most members' pension [accounts/funds/pots] have a long investment timeframe, during which assets which are less easily traded (such as property or infrastructure) can be managed to deliver good long-term returns while avoiding the impact of liquidity issues at retirement.

From time to time, the suspension of trading in a fund or closure of a fund by the fund manager and resulting temporary redirection of contributions to another fund may create a temporary or unintended inadvertent default arrangement.

4.4 Managing Risks

The Trustee believes that the three principal investment risks most members will face are:

1. Inflation - Investment returns over members' working lives may not keep pace with inflation and, as a result, do not produce adequate retirement benefits.

   Further from retirement, this risk should be countered by funds investing predominantly in equities and other growth orientated assets which are expected to produce returns well in excess of inflation over the longer term. Approaching retirement, the impact of this risk needs to be balanced against the other main risks members face.

2. Benefit conversion - Investment conditions just prior to retirement may increase the cost of turning members' fund values into retirement benefits.

   For members taking cash at retirement, funds investing in cash deposits and other short-term interest-bearing investments provide a high degree of (but not complete) capital security. Funds investing in a mix of different assets are expected to be broadly suitable for members planning income drawdown during retirement. For members buying an annuity at retirement, the value of funds investing in longer-dated bonds may be expected to broadly follow changes in annuity rates caused by long-term interest rates.

3. Volatility/Market - Falls in fund values prior to retirement lead to a reduction in retirement benefits.

Funds investing in bonds or a mix of assets or investment techniques intended to manage short-term risks may be expected to be subject to lower levels of short-term fluctuations in values - although there may be occasions when this does not hold good.

The Trustee believes that other investment risks members may face include:

- Active management risk - a fund manager's selection of holdings may not lead to investment returns in line with the fund's objectives and investment markets generally.
- Interest rate risk – the value of funds which invest in bonds will be affected by changes in interest rates.
- Default risk - for bond funds (where money is lent in return for the payment of interest), the company or government borrowing money fails to pay the interest due or repay the loan.
- Liquidity risk - funds which invest in assets which cannot be easily bought or sold (such as property) may at times not be able to accept new investments or disinvestments of existing holdings.
- Market risks - shifts in market sentiment (for example, in response to economic news or geopolitical events) or momentum in general market trading can lead to widespread changes and/or volatility in asset values over the short-term. This can include short-term changes in the normally expected correlations of the behaviour of risks and returns seen between different asset classes, when standard approaches to mitigating risks such as diversification are temporarily ineffective.

4.5 Financially material considerations

The Trustee recognises that:

- The consideration of financially material considerations, including ESG factors and climate risk, over the appropriate time horizon are relevant at different stages of the investment of members' defined contribution benefits; and
- The financial materiality of any factor, including ESG factors and climate risk, may be relevant to different degrees according to the asset class or classes in which a fund invests.

The Trustee will consider financially material considerations, including ESG factors and climate risk in the development and implementation of the Plan's investment arrangements for the purposes of determining the selection, retention and realisation of investments where there is sufficient data or evidence to allow them to systematically do so. The Trustee will also seek to engage with the investment managers to ensure they take such considerations into account within their decision making, and challenge where appropriate.

The Trustee has explicitly acknowledged the relevance of ESG factors including climate change in framing their investment beliefs set out below and the broader implementation of these beliefs.

4.6 Implementation

The Plan uses standard pooled funds offered by the fund manager. This gives access to a range of funds while keeping down costs to members, but this means that the Trustee cannot adopt an approach to managing financially material considerations specific to the Plan. The Trustee nevertheless seeks to manage financially material considerations to protect long-term returns by:

- Choosing fund managers who have clearly articulated policies for managing financially material considerations including climate change;
- Considering the extent to which ESG issues including climate risk, where relevant, are integrated into the fund managers' investment processes and benchmark indices as appropriate;
- For passively managed funds, the Trustee recognises that the choice of benchmark dictates the assets held by each fund and that the investment manager has minimal freedom to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive manager is to deliver returns in line with the benchmark index (which may or may not include ESG factors) and which the Trustee believes will deliver appropriate risk adjusted returns in line with their current investment strategy. The Trustee will review periodically the choice of fund and index benchmarks used;
- For all funds, expect fund managers to engage with companies in which the fund invests to encourage business strategies which should improve or protect the value of those investments; and
- Prefer fund managers who are signatories to the Financial Reporting Council's Stewardship Code in the UK and the United Nations supported Principles for Responsible Investment.

4.7 Members' Choices

Members are free to invest in any of the above funds.

4.8 Other

The Trustee considers that each fund contains suitable investments given each fund's objective.

In the event the Trustee needs to sell units to meet transfers out, the Trustee or the Plan's administrator instructs LGIM on which units to sell.

The Trustee monitors the performance of LGIM on a regular basis.

BOTH SECTIONS

5. Investment Manager Appointment, Engagement and Monitoring

5.1 Aligning Investment Manager Appointments with Investment Strategy

In line with the Defined Benefit section of the SIP, 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 for which they are selected.

The Trustee looks to its investment adviser for their forward looking assessment of an investment manager's ability to outperform over a full market cycle. For DB assets, this view will be based on the adviser's assessment of the investment manager's idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Plan invests in. The adviser's research ratings assist with due diligence and questioning investment managers during presentations to the Trustee and are used in decisions around selection, retention and realisation of investment manager appointments. If the investment objective for a particular investment manager's fund changes, the Trustee will review the investment manager's appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives.

With regard to the DC section, the Trustee will seek to ensure that, in aggregate, its portfolio is consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee will also seek to ensure that the investment objectives and guidelines of any particular investment fund used are consistent with its own policies and objectives. Furthermore, the Trustee will seek to understand the investment manager's approach to sustainable investment (including engagement).

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

5.2 Incentivising Medium and Long-Term Investment Manager Performance

The Trustee aims to meet with the investment managers as deemed appropriate, to discuss performance and other investment related matters (including integration of ESG and climate change into the investment process and voting and engagement activities). As part of this, the Trustee will challenge decisions that appear out of line with the Plan's stated objectives and/or policies.

To assist with this, the Trustee considers its investment adviser's assessment of how each investment manager embeds ESG considerations into its investment process and explores how it aligns with its responsible investment policy. This is monitored on a quarterly basis as part of the Plan's performance reporting.

The investment managers are aware that their continued appointment is based on the success in delivering the mandate for which they have been appointed over the long term. Consistent periods of underperformance or excessive tracking error for passive funds, could lead to the investment manager being reviewed and/or terminated.

The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Plan's assets. For most of the DC Section investments, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods.

5.3 Evaluating Investment Manager Performance and Remuneration

As part of the regular reporting, the Trustee receives performance reports from the investment adviser on a quarterly basis, which present performance information over 3 months, 1 year and 3 year periods. They also receive investment manager performance reports on a quarterly basis. The Trustee reviews the absolute performance, relative performance against a suitable index used as the benchmark, and against the investment manager's stated target performance (over the relevant time period). The Trustee's focus is on long term performance but will review an investment manager if there are short term performance or operational concerns.

If an investment manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustee will review the fund appointment to ensure it remains appropriate and consistent with the Trustee's wider investment objectives and may ask the manager to review their fees.

The Trustee considers the method of remunerating investment managers to be consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of the issuer of debt or equity. By encouraging a medium to long-term investment time horizon, it will in turn encourage the investment managers to engage with issuers of debt and equity in order to improve their performance in the medium to long-term.

For the Defined Contribution Section, the Trustee reviews the investment manager fees as part of the annual Value for Members ("VfM") assessment.

5.4 Evaluating Portfolio Turnover costs

The Trustee does not currently actively monitor the portfolio turnover costs of the main DB assets. Portfolio turnover costs refer to those costs incurred due to the buying, selling, lending or borrowing of investments. The Trustee will receive MiFID II reporting from their investment managers, which includes portfolio turnover information, but does not currently analyse the information. The Trustee will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. In future, the Trustee may ask investment managers to report on portfolio turnover costs explicitly. They may assess this by comparing portfolio turnover across the same asset class, on a year-on-year basis for the same fund, or relative to the investment manager's specific portfolio turnover range in the investment guidelines or prospectus.

For the Defined Contribution Section, the Trustee considers portfolio turnover costs as part of the annual VfM assessment.

5.5 Investment Manager Arrangement duration

The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis.

With regard to the DB section, there is no set duration for the investment manager appointments. The Trustee will retain an investment manager unless there is a strategic change to the overall strategy that no longer requires exposure to that asset class or investment manager; or the investment manager appointment has been reviewed and the Trustee has decided to terminate the mandate.

With regard to the DC section, the Trustee recognises the long-term nature of defined contribution pension investments and chooses funds which are expected to deliver sustainable returns over the Plan members' investment horizon. All the funds are open-ended with no set end date for the arrangement. The Fund Range and Default Strategy are reviewed on at least a triennial basis - The Trustee expects that each fund will be used for at least three years, this being the period over which performance of the fund can be appropriately evaluated and the costs of change amortised, although all funds are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default strategy or general fund range.

6. Other Investments

The Trustee has in the past secured pensions through the purchase of annuities and currently holds annuity policies with a number of different insurance companies.

6.1 Additional Voluntary Contributions ('AVCs')

The Trustee also makes available to members a range of options with LGIM for the investment of AVCs. Various legacy arrangements also exist.

6.2 Cash Balances

The Trustee holds small cash balances in separate bank accounts.

7. Investment Returns

The investment returns that the Trustee expects to achieve are those which are broadly in line with or above the returns of the respective market indices against which the investment managers are benchmarked.

The Trustee believes that it is important to balance investment risks with the likely long-term returns from different types of assets used in funds (taking the funds' costs and charges into account).

Asset class	**Expected long-term investment returns relative to inflation**	**Expected shorter- term volatility in fund values**
Equities (i.e. company shares)	Strong return relative to inflation	Most volatile in the short-term
Property (e.g. offices, shops and warehouses)	Positive, but lower than equities	Lower than equities
Corporate Bonds (i.e. loan stocks issued by companies)	Positive, but lower than equities and property	Lower than equities or property
Fixed Interest Government Bonds (e.g. UK Gilts)	Positive, but lower than equities, property or corporate bonds	Lower than equities, property or corporate bonds
Index-Linked Government Bonds (e.g. UK Index-Linked Gilts	In line with inflation	Lower than equities, property or corporate bonds
Cash (and other short-term interest-bearing investments)	Return may not keep pace with inflation	Minimal with high degree (but not complete) of capital security

Long-dated Bonds (e.g. UK Gilts and Corporate Bonds with a duration of 15 years or more) – should give fund values which move broadly in line with the financial factors influencing annuity rates.

Multi-asset funds (i.e. investing in a varying mix of asset classes) - should deliver positive returns relative to inflation over the longer-term, with lower short-term volatility than equities.

Derivatives (e.g. within the Liability Hedging Portfolio) - typically to reduce shorter-term investment risks or to facilitate changing where funds are invested, should help achieve a fund's expected levels of risk and return.

8. Investment beliefs

The Trustee's investment decisions are made in the context of their investment beliefs that:

- Managing the principal investment risks is the most important driver of good long-term member outcomes;
- As the Plan invests for members over the long-term, financially material considerations including the impact of climate change will have a bearing on funds' expected levels of risk and return;
- Investment markets may not always behave in line with long-term expectations during the shorter-term;
- Taking investment risk is usually rewarded in the long term;
- Investment risks can be reduced by spreading investments both within and across asset classes;
- Actively managed funds, where the manager chooses where to invest, may not always deliver the expected investment returns in the shorter-term;
- Passively managed funds, whose returns are intended to track a market index, may produce investment returns more efficiently than actively managed funds in some markets;
- Charges and costs (levied by fund managers and platform providers) can have a material effect on net returns.

8.1 Responsible Investing

Responsible investing encompasses both sustainable investing (including financially material factors) and effective stewardship of the Plan's investments. The Trustee believes that responsible investing can:

- Improve long-term investment returns;
- Reduce investment risks; and
- Support positive engagement with members.

8.2 Sustainable Investing

The Trustee's investment beliefs in relation to sustainable investing are:

- Companies demonstrating positive ESG practices are expected to outperform others over the long term;
- Climate change is a material financial risk, particularly to younger members;
- Sustainable investment can improve long-term investment returns; and
- Reduce investment risks in conjunction with other financially material considerations.

8.3 Time horizon

The Trustee monitors the age profile of the Plan's DC membership to arrive at an appropriate investment horizon for different groups of members when considering all investment and financially material risks.

8.4 Non-financial factors

The Trustee notes that non-financial factors can affect various investment risks which are borne by members and may under-perform other funds with broader-based investment approaches. Fund managers are otherwise only expected to take non-financial factors into account when these do not conflict with the financial interests of members and the Scheme's investment objectives.

8.5 Stewardship

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment platform and fund managers and the monitoring of compliance with agreed policies.

8.6 Members' financial interests

The Trustee expects that the investment platform provider and fund managers will have the members' financial interests as their first priority when choosing investments.

8.7 Conflicts of interest

When appointing platform providers and choosing investment managers' funds on the provider's platform, the Trustee will seek to establish that the platform provider and each investment manager has an appropriate conflicts of interest policy in place. This includes any provisions to disclose any potential or actual conflict of interest to the Trustee.

When given notice the Trustee will consider the impact of any conflicts of interest arising in the management of the funds used by the Plan.

Responsibility for investment decisions has been delegated to the investment managers which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where managers are investing in new issuance, the Trustee expects the investment manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The Trustee will consider any conflicts of interest arising in the management of the funds used by the Plan and will ensure that the platform provider and each investment manager has an appropriate conflicts of interest policy in place. Platform providers and investment managers are required to disclose any potential or actual conflict of interest to the Trustee.

8.8 Voting and engagement

The Trustee believes that engagement with the companies in which the Plan invests through pooled investment funds, including the proactive use of shareholder voting rights, can improve the longer-term returns on the Plan's investments.

The Plan invests via funds which are pooled with other investors to keep costs down and ensure adequate diversification. As a result, the Trustee has adopted a policy of delegating voting decisions on stocks to the fund managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The investment managers are expected to exercise the voting rights attached to individual investments in accordance with their own house policy.

The Trustee will periodically review the voting and engagement policies of the fund managers to determine that these policies are appropriate. On a regular basis, the Trustee will request that the fund managers provide details of any change in their house policy.

Where appropriate, the Trustee will engage with and may seek further information from the fund managers on how portfolios may be affected by a particular issue.

While the Trustee is not in a position to engage directly, the Trustee believes it is sometimes appropriate for the fund managers to engage with key stakeholders, which may include corporate management, regulators and governance bodies, relating to their investments in order to improve corporate behaviours, improve performance and mitigate financial risks. The Trustee will request, where appropriate and practicable, that the platform provider or investment managers notify the Trustee of any issue on which it may be beneficial for the Trustee to undertake further engagement.

8.9 Monitoring

The Trustee will obtain reports from the fund managers' voting activity (where applicable) on a periodic basis. The Trustee monitors the fund managers voting activity on a periodic basis. The Trustee will also periodically review the fund managers voting patterns and may also monitor voting on particular companies or issues affecting more than one company.

9. Role of Investment Consultant

Mercer is employed as investment consultant to the Plan for the defined benefit section and its position is reviewed periodically by the Trustee. Hyman Robertson have acted in an advisory capacity to the Trustees in relation to the investments of the defined contribution sections. The consultants provide advice to the Trustee but do not have responsibility for decision-making in any area. The role encompasses, but is not limited to, the following areas:

- Assistance in helping the Trustee formulate investment objectives.
- Advice on investment strategy and investment options.
- Advice on devising an appropriate investment manager structure.
- Assistance in selecting, implementing and monitoring of investment managers.

10. Preparation of this Statement

The Trustee obtains and considers proper advice from suitably experienced and qualified persons when choosing investments and preparing the Statement of Investment Principles.

Funds are chosen by the Trustee to give an expected level of return with an appropriate level of investment risk which meets the objectives of each default arrangement and other investment options.

The fund manager uses a life insurance company based legal vehicle for its funds. The funds may invest in quoted and unquoted securities traded in regulated UK and overseas markets:

- Equities (company shares);
- Fixed interest and index-linked bonds issued by governments and companies;
- Cash and other short-term interest-bearing deposits;
- Commercial and residential property;

- Illiquid assets including infrastructure, forestry, private equity and private debt;
- Commodities through collective investment vehicles; and
- Derivatives to facilitate changes in where funds are invested or to help control investment risks.

Funds provided through a life insurance company must comply with the Financial Conduct Authority ("FCA") "Permitted Links" rules, which place limits on the degree of leverage a fund can use. Fund managers using other fund vehicles subject to the European "UCITS IV" and the FCA's "Non-UCITS" regulations have to meet requirements on the security and concentrations of assets. Exchange Traded Funds may be used directly or indirectly to gain access to less easily traded and illiquid asset classes.

Subject to the funds' benchmarks and guidelines, the fund managers are given full discretion over the choice of securities and, for multi-asset funds, choice of asset classes. Fund managers are expected to maintain well-diversified and suitably liquid portfolios of investments.

The Trustee considers that these types of investments are suitable for the Plan. The Trustee is satisfied that the funds used by the Plan provide adequate diversification both within and across different asset classes.

11. Compliance with the Review of this Statement

The Trustee will monitor compliance with this Statement on a regular basis. As a matter of good practice, the Trustee will review this Statement.

The Trustee will also review this Statement in response to any material changes to any aspect of the Plan's liabilities, finances and the attitudes to risk of the Trustee and the Sponsoring Company, which it judges to have a bearing on the stated investment policy. Any such review will again be based on expert investment advice and the Trustee will consult the Company.