

W & R Barnett Limited Retirement Benefits Scheme

STATEMENT OF INVESTMENT PRINCIPLES

1. INTRODUCTION

The Trustees of the W & R Barnett Limited Retirement Benefits Scheme (the “Scheme”) have drawn up this Statement of Investment Principles (“the Statement”) to set down the principles governing decisions about investments for the Scheme to comply with the following legislation:

- Pensions (Northern Ireland) Order 1995 (“the Act”), as amended.
- The Occupational Pension Schemes (Investment) Regulations (Northern Ireland) 2005, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations (Northern Ireland) 2015; and
- Subsequent legislation.

In preparing this Statement, the Trustees have obtained professional advice from the Scheme’s Investment Consultant, Mercer Limited (“Mercer”). Where matters described in this Statement may affect the Scheme’s funding policy, input has also been obtained from the Scheme Actuary. The Trustees will obtain similar advice whenever they review this Statement. The Trustees have consulted the sponsoring Company, W&R Barnett Limited, over Investment Objectives and Strategy and have taken the Company’s views into account in setting both the objective and strategic benchmark. The final decisions have however been made by the Trustees having taken advice from Mercer in reaching those decisions.

Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustees acting on expert advice and is driven by their investment objectives as set out in Section 2 below.

The remaining elements of policy are part of the day to day management of the assets which is delegated to professional investment management and described in Section 3.

The Statement was most recently reviewed in October 2023.

2. INVESTMENT OBJECTIVES AND RISK

2.1 Investment Objectives

The Trustee’s objective is to invest the Scheme’s assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries. The Trustees have agreed a number of objectives to help guide them in their strategic management of the assets.

The Trustees consider that its broad objective is to invest the Scheme’s assets in such a manner that members’ entitlements can be paid when they fall due. As a key step to achieving this, the Trustees, following consultation with the sponsoring Company has entered into two bulk purchase annuity contracts issued by Scottish Widows in October 2020 and Legal & General in April 2023. Buyout with Scottish Widows was completed in 2021. Scottish Widows and Legal & General are authorised by the Prudential Regulation Authority to write contracts of long term life insurance of this nature in the UK.

The Trustees’ key objective is to ensure an efficient progression towards an insurer buy-out with Legal & General of the Scheme’s known liabilities, with the aim of achieving an appropriate discharge of liability in respect of known obligations in accordance with the Scheme’s governing documentation and relevant legislation.

In due course, the intention is to secure the known members' benefits by means of individual annuity policies issued by Legal & General directly to the members, in accordance with the terms of the bulk annuity policies.

The Scheme's principal asset is the bulk annuity policy with Legal & General. As a result, all of the Scheme's assets are represented by these policies with the exception of residual funds held in the Trustee Bank Accounts, in order to help the Trustees meet imminent cash outgo in connection with ongoing expenses arising that are to be met from the Scheme and liability changes prior to buy-out.

Future benefits payable from the Scheme prior to buy-out will be funded by the bulk annuity policies.

2.2 Risk

The Trustees recognise that it is necessary to take some degree of investment risk to meet the objectives outlined in Section 2.1. The Trustees have taken advice on the matter and (in light of the objectives noted previously) considered carefully the implications of adopting different levels of risk.

In formulating the investment objective the Trustees believe the following risks to be financially material over the lifetime of the Scheme:

- **Counterparty risk.** Between now and the completion of the buy-out, the principal risk facing the Trustees and Scheme members is that Legal & General may default on its obligations under the bulk annuity policies. Before entering into the bulk annuity contracts, the Trustees obtained and carefully considered professional advice regarding the suitability of Legal & General as a provider. In addition the Trustees are aware that regulatory oversight, and, ultimately that there is a level of protection offered to members by the Financial Services Compensation Scheme ("FSCS").
- **Liquidity risk.** Measured by the level of cashflow required by the Scheme over a specific period. The Trustees do not expect to be able to obtain cash from the bulk annuity policy other than in respect of benefits insured with Legal & General albeit there was a funding surplus following the initial premium paid to Legal & General. Prior to purchasing the policy, the Trustees satisfied themselves, having taken professional advice, that all known members' benefits would be insured in full. Under the terms of the policies, a post transaction period of data cleansing will be undertaken between the Scheme administrator and Legal & General.
- **Lack of diversification.** The Trustees recognise that the decision to invest in a bulk annuity contract with a single provider, whilst reducing operational risks and complexity, represents a concentration of investment risk. However, after careful scrutiny of the provider prior to transaction, and having considered the advice of the Scheme's professional advisors the Trustees are satisfied that the degree of risk taken is acceptable.

2.3 Investment Strategy

The Trustees consider the appropriateness of the Scheme's investment strategy following the results of each actuarial valuation and at other times as required. As a result of these reviews, the Trustees decide on an appropriate investment strategy to meet the objectives and risks outlined above.

Following strong funding progression of the Scheme, taking into consideration the best interest of the beneficiaries and the views of the sponsoring Company, the Trustees went to market to source quotations from insurers for a partial bulk purchase annuity, covering the pensioner members of the Scheme. In preparation for this, the Trustees de-risked the Scheme by selling a proportion of the equity assets in favour of a larger interim allocation to protection assets (i.e. cash, UK government bonds and corporate bonds).

The Trustees secured favourable term with Scottish Widows and entered into a partial bulk purchase annuity contract for the pensioner members of the Scheme in October 2020, with buyout being completed in 2021. Following completion of the buyout with Scottish Widows the Trustees undertook a review of the investment strategy and due to the continued strong funding position, de-risked the Scheme by reducing the allocation to equities further in favour of UK government bonds.

The Trustees again went to market to source quotations from insurers for a bulk purchase annuity, covering the remaining deferred and pensioner members of the Scheme. The Trustees secured favourable terms with Legal & General and entered into a bulk purchase annuity contract in April 2023.

3. DAY TO DAY MANAGEMENT OF THE ASSETS

3.1 Main Assets

The Trustees have appointed Legal & General as their annuity provider having obtained and considered the relevant written advice from their investment advisor, Mercer, and legal advice in relation to the bulk annuity contract from their legal advisor, who the Trustees consider to be suitably qualified to provide such advice.

In this context, relevant investment advice relates to that provided in accordance with the requirements of Section 36 of the Pensions (Northern Ireland) Order 1995 (as amended).

3.2 Responsible Investment and Corporate Governance

The Trustees believe that good stewardship and environmental, social and governance (“ESG”) issues may have a material impact on investment risk and returns. The Trustees also recognise that long-term sustainability issues, particularly, but not limited to, climate change, present risks and opportunities that increasingly may require explicit consideration.

As the Scheme now mainly invests in the bulk annuity policy with Legal & General, the Trustees recognise that Legal & General has full discretion when evaluating ESG issues, exercising rights and stewardship obligations attached to the Scheme’s investments, including engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure and management of actual or potential conflicts of interest and risks. In addition, Legal & General has full discretion when deciding on the degree to which the above are integrated into their investment processes. The Trustees are satisfied this corresponds with their responsibilities to the beneficiaries.

The Trustees do not monitor or engage directly with issuers or other holders of debt or equity. They expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with the investment managers’ general policies on stewardship, as provided to the Trustees from time to time, considering the long-term financial interests of the beneficiaries.

3.3 Cashflow and Realisation of Investments

The Scheme’s principal asset is the bulk annuity policy with Legal & General. As a result, the majority of the Scheme’s assets are represented by this policy, with the exception of residual cash held in the Trustees’ bank accounts.

The residual cash/investments are to be held, in order to help the Trustees meet imminent cash outgo in connection with ongoing expenses arising that are to be met from the Scheme and liability changes prior to buy-out.

Future benefits payable from the Scheme prior to buy-out will be funded by the bulk annuity policies.

3.4 Non-Financial Matters

The Trustees do not take into account any non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.

4. ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Scheme does not provide any AVC arrangements.

5. INVESTMENT MANAGER APPOINTMENT, ENGAGEMENT AND MONITORING

Since the majority of the Scheme's assets are invested through the purchase of the bulk annuity policy with Legal & General, the Trustees are unable to incentivise the insurer, remunerate or monitor portfolio turnover costs as these are not applicable to a bulk annuity.

6. COMPLIANCE WITH THIS STATEMENT

The Trustees will monitor compliance with this Statement as required in conjunction with their advisers until buy-out with Legal & General.

7. REVIEW OF THIS STATEMENT

The Trustees will review this Statement in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustees and the sponsoring Company, which they judge to have a bearing on the stated Investment Policy.

Any such review will again be based on written, expert investment advice and will be in consultation with the Company.

This statement has been agreed by the Trustees on^{1st} December 2023

Signed on behalf of the Trustees of the W & R Barnett Limited Retirement Benefits Scheme:

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NEILLUS McDONNELL
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TRUSTEE
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