

Vindis Group Defined Benefit Pension Scheme

Statement of Investment Principles

September 2020

1. Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustee of the Vindis Group Defined Benefit Pension Scheme (the "Scheme"). This statement sets down the principles governing decisions about investments for the Scheme to meet the requirements of:
 - the Pensions Act 1995, as amended by the Pensions Act 2004; and
 - the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and incorporates changes as required by The Pension Protection Fund (Pensionable Service);
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018; and
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2. In preparing this statement the Trustee has consulted Vindis Group Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.
- 1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.
- 1.4. The Trustee will review this statement at least every three years or if there is a significant change in the policy on any of the areas covered by the statement.
- 1.5. The investment powers of the Trustee is set out in Clause 15 of the Definitive Trust Deed & Rules, dated 6 August 2012. This statement is consistent with those powers.

2. Choosing Investments

- 2.1. The Trustee's policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustee considers the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.
- 2.2. The day-to-day management of the Scheme's assets is delegated to one or more fund managers. The Scheme's fund managers are detailed in the Appendix to this Statement. The fund managers are authorised and regulated by the Financial Conduct Authority and are responsible for stock selection and the exercise of voting rights.
- 2.3. The Trustee reviews the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the fund managers with respect to performance within any guidelines set. The Trustee will also consult the employer before amending the investment strategy.

3. Investment Objectives

- 3.1. The Trustee's main investment objectives are:

- to ensure that they can meet the members' entitlements under the Trust Deed and Rules as they fall due;
 - to achieve a long term positive real return;
 - to invest in assets of appropriate liquidity which will generate income and capital growth to meet the cost of current and future benefits which the Scheme provides;
 - to reduce the risk of the assets failing to meet the liabilities over the long term;
- 3.2. The Trustee is aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities at any time. The Trustee has obtained exposure to investments that they expect will meet the Scheme's objectives as best as possible.

4. Kinds of investments to be held

- 4.1. The Scheme can invest in a wide range of asset classes including:
- Equities;
 - Bonds;
 - Cash;
 - Property;
 - Alternatives, including private equity, commodities, hedge funds, infrastructure, currency, high yield debt and derivatives;
 - Annuity policies.
- 4.2. Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risks in the portfolio or for the purposes of efficient portfolio management.
- 4.3. The Trustee monitors from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically, this check is carried out annually by the Scheme's auditors.

5. The balance between different kinds of investments

- 5.1. The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within the Appendix to this Statement.
- 5.2. The Trustee considers the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendix to this Statement.
- 5.3. From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate for any short term cashflow requirements or any other unexpected items.
- 5.4. The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation will be expected to change as the Scheme's liability profile matures.

6. Risks

- 6.1. The Trustee has considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities:

Risk versus the liabilities The Trustee will monitor and review the investment strategy with respect to the liabilities following each actuarial valuation. The investment strategy will be set with consideration of the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.

Asset Allocation risk The asset allocation is detailed in the Appendix to this Statement and is monitored on a regular basis by the Trustee.

Fund manager risk The Trustee monitors each of the Scheme's fund managers' performance on a regular basis. In addition, the Scheme's investment advisors will meet periodically with each fund manager and make appropriate reports and recommendations to the Trustee. The Trustee has a written agreement with each fund manager, which contains a number of restrictions on how each fund manager may operate.

Concentration risk Each fund manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.

Governance risk Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustee monitors these and will report on the managers' practices in their annual Implementation Statement.

ESG/Climate risk The Trustee has considered long-term financial risks to the Scheme and ESG factors as well as climate risk are potentially financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.

Loss of investment The risk of loss of investment by each fund manager and custodian is assessed by the Trustee. Each fund manager monitors counterparty credit risk and evaluates counterparty credit quality on a continuous basis.

Liquidity risk The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cash flow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.

Covenant risk The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.

Solvency and mismatching This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustee is aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.

Currency risk The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.

7. Expected return on investments

- 7.1. The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the fund managers.
- 7.2. The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 7.3. In considering the expected return from investments, the Trustee recognises that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.
- 7.4. Having established the investment strategy, the Trustee monitors the performance of each fund manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position. The Scheme's investment advisors will meet periodically with each fund manager and produce appropriate reports and recommendations for the Trustee.

8. Realisation of investments

- 8.1. The Trustee has delegated the responsibility for buying and selling investments to the fund managers. The Trustee has considered the risk of liquidity as referred to above.
- 8.2. Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustee is aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

9. Environmental, Social and Governance factors, the exercise of voting rights, and engagement activities

- 9.1. The Trustee has set policies in relation to these matters. These are set out in Appendix 2.

10. Agreement

- 10.1. This statement was agreed by the Trustee and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the fund managers, the actuary, and the Scheme auditor upon request.

Approved by Independent Trustee Services Ltd on 10 September 2020

On behalf of the Vindis Group Defined Benefit Pension Scheme

Appendix 1 Note on investment policy of the Scheme as at September 2020 in relation to the current Statement of Investment Principles

Choosing investments

The Trustee has appointed Legal & General Investment Management Limited to carry out the day-to-day investment of the fund. The fund manager is authorised and regulated by the Financial Conduct Authority.

The Trustee has appointed Barnett Waddingham LLP to advise on investment matters.

The fee arrangements with the fund manager are summarised below:

Legal & General	Fees (Annual Management Charge)
Absolute Return Bond Fund	0.250% p.a.
Absolute Return Bond Plus Fund – GBP Hedged	0.370% p.a.
Dynamic Diversified Fund	0.400% p.a.
Matching Core Real Long Fund	
Matching Core Real Short Fund	
Matching Core Fixed Long Fund	0.240% p.a.
Matching Core Fixed Short Fund	
Sterling Liquidity Fund	0.125% p.a.

LGIM operate a sliding fee scale for their funds, depending on how much is invested. The AMC rates shown above reflect the highest fee rate payable on each fund. In some case, the size of investment may result in part of the assets being subject to a lower fee rate.

Barnett Waddingham is remunerated on both a time-cost and a fixed-fee basis.

Kinds of investments to be held

The Trustee has considered all asset classes and the Scheme has gained exposure to a range of asset classes, including (but not limited to):

- UK Equities;
- Overseas Equities;
- Fixed interest government bonds;
- Index-linked government bonds;
- Corporate bonds;
- Derivatives;
- Cash;
- Alternatives.

The balance between different kinds of investment and rebalancing

The asset allocation has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification.

The investment benchmarks and objectives for each fund manager are given overleaf:

Legal & General	Benchmark	Objective
Absolute Return Bond Fund	ICE BofAML GBP 3m Deposit Offered Rate Constant Maturity Index	The fund aims to outperform the benchmark by 1.50% p.a. over a rolling three-year period (gross of fees)
Absolute Return Bond Plus Fund – GBP Hedged	ICE BofAML USD 3m Deposit Offered Rate Constant Maturity TR	The fund aims to outperform the benchmark by 3.50% p.a. over a rolling three-year period (gross of fees)
Dynamic Diversified Fund	BoE Base Rate	The fund aims to outperform the benchmark by 4.5% p.a. over a full market cycle.
LDI Matching Core Funds	A custom liability benchmark which replicates the liability profile of a general pension	To control the interest rate and inflation exposure relative to the agreed portfolio
Sterling Liquidity Fund	LIBID 7-Day	To produce diversified exposure and a competitive return in relation to the benchmark

The performance of the fund manager will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short term and long-term performance.

The Scheme has an interim strategic asset allocation as set out in the table on the next page. This is currently under review following the decision to sell the equity holdings in August 2020. The 15% allocation to passive equities has been allocated to the Sterling Liquidity Fund in the interim. The Trustee is considering the ultimate destination of the passive equity proceeds as part of the ongoing investment strategy review.

The Trustee recognises that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Trustee seeks to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalances. The Trustee will review the allocation between LDI, cash, absolute return and diversified growth as frequently as they deem appropriate to determine whether rebalancing between asset classes is required. Typically, as the LDI portfolio is designed to broadly match the profile of the liabilities, no rebalancing will take place within the LDI portfolio:

Legal & General	Allocation
LDI and cash	45%
LDI Matching Core Funds	100%
Sterling Liquidity	
Bond Funds	30%
Absolute Return Bond Fund	66.7%
Absolute Return Bond Plus Fund (hedged)	33.3%
Diversified Growth	25%
Dynamic Diversified Fund	100%
Total	100%

Investment of new money

New money is usually invested to rebalance the overall asset allocation towards its long-term strategic asset allocation.

Realisation of investments

The Scheme's cash flow requirements are partly to be met by the Principal Employer's contributions where such contributions are payable; and by carrying out disinvestments, usually made so as to move the overall asset allocation in line with its long-term strategic asset allocation.

Appendix 2 Note on financially material considerations, the exercise of voting rights, engagement activities, and non-financial matters

Policy on financially material considerations

The Trustee has received information from their investment advisors on the financial materiality of Environmental, Social and Governance considerations, which include climate change (hereafter referred to as “ESG issues”). The Trustee has considered the findings from this in forming their views on the financial materiality of ESG issues where they apply to the Scheme’s current investments.

The Trustee believes that ESG considerations have the potential to have a financially material impact on the Scheme’s investments. The Trustee takes these factors into account when selecting or reviewing investments, but they will not necessarily take precedence over other financially material factors such as (but not limited to) historical performance or fees.

Given the maturity profile of the Scheme and the objective to fund member benefits as they fall due, the Trustee has a long-term time horizon over which they take into account the financial materiality of ESG issues. The Trustee is also cognisant of the different investment timeframes that may apply to investments. The Trustee believes that ESG issues may have a greater impact over a longer timeframe (compared to investments that are held for a shorter timeframe) as the financial materiality of such issues will have a greater impact over a longer timeframe.

The Trustee appreciates that the method of incorporating ESG within an investment strategy and process will differ between asset classes. The Trustee notes that ESG issues are one of a number of factors that affect the Scheme’s investments and need to be considered in a proportionate manner. A high-level summary of the Trustee’s views on ESG integration within each asset class the Scheme invests in is outlined below:

Liability Driven Investments and Sterling Liquidity – the Trustee believes there is often less scope for ESG issues to improve risk-adjusted returns in these asset classes because of:

- the high level of exposure to government bonds within the Scheme’s LDI holdings;
- the short-term nature of the assets within money market funds.

However, it is worth noting that when transacting in LDI and money market funds, the Trustee requires due diligence is undertaken to assess the credit worthiness of the counterparty both initially and ongoing, whilst at the same time looking to achieve best execution. The Trustee expects this to be more relevant for longer term trades compared to shorter term trades and should incorporate ESG factors where these assist with the credit worthiness assessment.

Multi-asset funds – the Trustee believes that ESG issues can be financially material to the risk-adjusted returns achieved by the Scheme’s multi-asset fund manager. The investment process of the manager should take ESG into account (where relevant) in the selection, retention and realisation of investments. The Trustee also supports engagement activities and, where relevant, the exercise of rights attaching to the investments by the Scheme’s multi-asset fund manager. The approach and level of ESG integration may differ depending on the nature of the fund and the types of underlying investments made. The longer the timeframe of investment, the more relevant issues such as climate change are expected to be for risk-adjusted returns. Further to this, the process for

incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

Absolute Return Funds – The Trustee believes ESG issues should be considered in a manager’s investment process as they can have the ability to materially impact risk-adjusted returns. The Trustee recognises that fixed income assets do not include voting rights, however, support engagement from their manager to identify ESG risks and opportunities, and engage where appropriate as part of their investment process (i.e. in selecting, retaining or realising underlying assets). The approach and level of ESG integration may differ depending on the nature of the fund and the types of underlying investments made. The longer the timeframe of investment, the more relevant issues such as climate change are expected to be for risk-adjusted returns. Further to this, the process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

The Trustee is comfortable that the funds currently invested in by the Scheme are managed in accordance with their views on financially material factors, as set out above, when considered at an overall strategy level. This position is monitored periodically. Each of the Scheme’s fund managers will ultimately act in the best interest of the Scheme’s assets to maximise returns for a given level of risk.

Policy for taking into account non-financial matters

The Trustee does not take account of non-financial matters (such as members’ ethical views) when setting the investment strategy.

Policy on the exercise of voting rights and engagement activities

Stewardship encompasses the exercise of rights (including voting rights) attaching to the Scheme’s investments, and the engagement by and with investment managers. The Trustee believes that good stewardship and positive engagement can lead to improved governance and better risk-adjusted returns.

The Scheme currently invests in pooled investment funds only. The Trustee’s policy is to delegate responsibility for the exercising of rights (including voting rights) attached to investments to the relevant fund managers. The manager is expected to exercise voting privileges (where applicable) with the objective of preserving and enhancing long-term shareholder value. The Trustee also expects the manager to engage with companies in which they invest in relation to ESG matters where relevant.

The Scheme’s current equity manager, LGIM, is a large long-term investor and engages with companies (including those in the indices that the Scheme invests in) on matters including wider ESG factors and climate change on a regular basis.

The Trustee is comfortable (based on information provided by the investment consultant) that the fund managers’ strategies and processes for exercising rights and conducting engagement activities are reasonable for the asset classes they are investing in.

Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustee has made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

The Trustee receives reports from the investment manager on engagement and voting activities. This will be reviewed periodically. Should any issues emerge from this in relation to how the investment manager is engaging with companies (through the Trustee’s review of these), the Trustee will discuss this with the manager, either directly or via their investment consultant. The Trustee will then decide on an appropriate action to take in light of this.

One option available is for the Trustee to replace the manager, however, any shortcomings in this area will not necessarily be seen as sufficient reason for replacement and will not necessarily take precedence over consideration of other factors.

The Trustee will consider ESG, voting and engagement issues when appointing and reviewing managers to ensure that they are appropriately taken into account given the asset class involved.

The Trustee will take into account whether the Scheme's investment managers are signatories to the UN PRI and UK Stewardship Code (or equivalent). The Scheme's current investment manager is a signatory to both of the above.

Capital structure

The Trustee acknowledges the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate) as an asset within a pooled fund.

The Trustee is firmly of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustee also recognises that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustee considers it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.

The Trustee also considers it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme. Where the Trustee uses pooled funds the Trustee expects the investment manager to employ the same degree of scrutiny. Should an investment manager be failing in these respects, this should be captured in the Scheme's regular performance monitoring.

Conflicts of interest

The Scheme's investment consultants, Barnett Waddingham, are independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.

The Trustee expects all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustee believes they have managed the potential for conflicts of interest

in the appointment of the investment manager and conflicts of interest between the Trustee/investment manager and the investee companies.

Policy on arrangements with asset managers

Incentivising alignment with the Trustee's investment policies

Prior to appointing an investment manager, the Trustee discusses the investment manager's benchmark and approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how they are aligned with the Trustee's own investment aims, beliefs and constraints. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustee also considers how ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will use another manager for the mandate.

The Trustee carries out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the scheme and their aims, beliefs and constraints.. The Trustee monitors the investment managers' approach to ESG and climate related risks on an annual basis.

In the event that an investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated. The investment managers have been informed of this by the Trustee.

Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager.

Incentivising assessments based on medium to long term, financial and non-financial considerations

The Trustee is mindful that the impact of ESG and climate change may have a long-term nature. However, the Trustee recognises that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustee has acknowledged this in their investment management arrangements.

When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assesses these over an agreed predetermined rolling timeframe. The Trustee believes the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter-term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustee expects this to be sufficient to ensure an appropriate alignment of interests.

The Trustee expects investment managers to be voting and engaging on behalf of the Scheme's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and

Accounts. The Trustee does not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short-term targets.

Method and time horizon for assessing performance

The Trustee monitors the performance of their investment managers over the medium to long time periods that are predetermined and consistent with the Trustees' investment aims, beliefs and constraints.

The Scheme invests exclusively in pooled funds. The investment manager is remunerated by the Trustee based on the assets they manage on behalf of the Trustee. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less. Details of the fee structures for the Scheme's investment managers are contained in Appendix 1.

The Trustee believes that this fee structure enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

The Trustee asks the Scheme's investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered every three years as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

The Trustee acknowledges that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the regular investment monitoring process.

During the investment manager appointment process, the Trustee considers both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices. The Trustee acknowledges that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

Duration of arrangement with asset manager

For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers.

The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustee's investment aims, beliefs and constraints is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.