Statement of Investment Principles

Fenner Pension Scheme

Effective from: 01 August 2023

Introduction

This document contains the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995, as amended by the Pensions Act 2004 (the "Act"), for the Fenner Pension Scheme ('the Scheme'). It describes the investment policy being pursued by the Trustee of the Scheme and is in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK ("the Myners Principles"). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005. This SIP replaces the previous SIP which took effect in February 2022.

The Trustee is responsible for the investment of the Scheme's assets and arranges administration of the Scheme. The Trustee takes advice when making investment decisions, thereby ensuring an appropriate degree of familiarity with issues arising from such decisions.

Declaration

The Trustee confirms that this SIP reflects the principles governing how decisions about investments are made for the Scheme. The Trustee acknowledges that it is responsible, with guidance from the advisors, for ensuring that the assets of the Scheme are invested in accordance with these principles.

Signed .... **Date** 11 August 2023

For and on behalf of the Trustee of the Fenner Pension Scheme

Investment Objectives

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis.

Having purchased a bulk annuity ("buy-in") policy in May 2023 to cover the Scheme's known defined benefit liabilities, the Trustee's secondary objective is to invest the residual assets with the aim of covering ongoing expenses of administering the Scheme, including the additional liabilities expected to arise from the GMP equalisation exercise that is currently in progress ("the GMP liabilities").

In order to ensure the availability of funds to meet those expenses as they arise, the Trustee has been provided with a loan facility by the Company which will be repaid over time as the residual assets are realised.

Investment Strategy

The Trustee has secured the defined benefit liabilities of the Scheme (other than those arising from GMP equalisation) through a buy-in insurance policy. This contract was completed with Phoenix Life Limited ("Standard Life"), with the vast majority of the Scheme's holdings transferred to Standard Life in payment for the buy-in policy in May 2023.

The terms of the policy entitle the Trustee to add the additional GMP equalisation liabilities to the policy on the same terms as the original contract (updated for market conditions) provided that this is done within two years of the buy-in being signed.

In practice, the additional GMP liabilities will be valued on the basis of market conditions on completion of the exercise and the resulting valuation may thus differ from the terms set out in the policy. In order to protect the Scheme from the risk of an adverse change, the Trustee has invested a proportion of the residual assets in unitised gilt funds aiming to achieve a broad hedge that offsets any movement in the valuation of the GMP liabilities. The Trustee took advice in the design of that hedge.

The Scheme also has a residual illiquid investment in the Magnetar Constellation Fund ltd, which represents around 10% of the Scheme's total invested assets as at 30 June 2023 (excluding the Trustee bank account). This investment is in the process of being redeemed over the next two years.

When deciding how to invest the Plan's assets, the Trustee considers a number of risks including, but not limited to, those set out in the 'Risks' section below. Some of these risks are more quantifiable than others, but the Trustee has tried to allow for the relative importance and magnitude of each risk.

In setting the investment strategy, the Trustee aims to:

- Meet the Scheme's investment objectives following the purchase of the buy-in policy (which has also greatly reduced the investment risk that the Scheme is exposed to;
- Consider the risks, rewards, and suitability of relevant asset classes and investment strategies in meeting its objectives; and
- Maintain suitable liquidity of assets such that the Scheme is not forced to buy and sell investments to meet ongoing cashflow needs – The loan facility provided by the Company is intended to address this risk.

It is important to note that the residual assets represent only approximately 10% of the Scheme's total assets as at 30 June 2023 (excluding the Trustee bank account), and for this reason the risks associated with those investments are now very much reduced.

The residual investment strategy will be monitored on an ongoing basis to ensure that it remains suitable in terms of achieving the Scheme's objectives.

This SIP includes an appendix which sets out specific details regarding the investment strategy.

Scheme Governance

The Trustee of the Scheme is responsible for the administration and investment policy of the Scheme and for investing the Scheme assets in a prudent manner. They generally meet each quarter, with additional meetings called as necessary. Decisions taken by the Trustee at meetings are by majority vote but if necessary, the Chair of Trustees has a casting vote.

The Trustee has established an Investment Sub-Committee (ISC) to focus on investment matters, including the GMP equalisation exercise, to monitor the Scheme's investment providers and to make recommendations on investment issues to the full Trustee Board.

The Trustee receives regular training on both investment and Scheme administration matters. The adequacy of such training is kept under regular review. In addition, the Trustee takes such professional advice as considered necessary for the fulfilment of its responsibilities. Before making investment decisions, the Trustee obtains and considers written advice from its investment consultant and adviser (ICA) as to the suitability of the investment concerned.

The Trustee has agreed a process of consultation with the Company to review the Statement of Investment Principles and to pay due regard to any views expressed by the Company in relation to the long-term funding of the Scheme.

The Trustee's ICA is Lane Clark and Peacock LLP ("LCP") – Ken Willis is the lead consultant. XPS Pensions Group provide actuarial services to the Scheme. The Scheme Actuary is Lisa Whitby. The Trustee formally monitors the performance of each of its advisors on an annual basis.

Monitoring

Arrangements with Asset Managers

The terms of the long-term relationship between the Trustee and its managers are set out in separate investment management agreements. These document the Trustee's expectations of their managers; alongside the investment guidelines they are required to operate under.

The Trustee has entered into a buy-in policy with Standard Life to cover the Scheme's defined benefit liabilities.

The Trustee has signed manager agreements with LGIM and Magnetar Financial LLC.

The Trustee has limited influence over the managers' investment practices where the Scheme's assets are held in pooled funds or annuity policies, but they encourage their investment providers to improve their practices where appropriate.

The Trustee’s policy is to evaluate each of its investment managers by reference to the manager’s individual performance as well as the role it plays in helping the Scheme meet its overall long-term objectives, taking account of risk, the need for diversification and liquidity in addition to liability hedging. Each manager’s remuneration, and the value for money it provides, is assessed in light of this.

The Trustee’s policy towards monitoring non-financial performance is set out in the Environmental, Social and Governance (ESG) issues section.

Realisation of investments

When appropriate, the Trustee decides on the amount of cash required for Scheme’s outgoings and inform the investment managers of any liquidity requirements. The defined benefit pension payments are covered by the Scheme’s buy-in policy.

Review frequency of the Statement of Investment Principles

The Trustee aims to review this SIP annually, or, without delay, following any changes to the investment strategy, and modify it after obtaining and considering written advice from their advisors and consultation with the Company.

Risks

The Trustee considers various risks which could affect the Scheme. The majority of the risk has now been mitigated following the pension buy-in, in respect of which the majority of the liabilities will now be met by Standard Life. The key risks that remain within the Scheme are in relation to Magnetar, in respect of which the Scheme has implemented a disinvestment schedule. The Company has provided a loan facility to the Scheme to ensure sufficient liquidity whilst the Scheme completed its purchase of a bulk annuity policy, with the proceeds of the Magnetar holding then used to pay off this loan. Therefore, there is the risk, albeit relatively low, that the Scheme cannot access these holdings (for example due to liquidity constraints, or the fund falling in value), and therefore cannot repay the loan of the Company.

Other Considerations

Environmental, Social and Governance (ESG) issues

The Trustee incorporates all financially material considerations, including those of an ESG nature, into decisions on the selection, retention and realisation of investments through strategic asset allocation decisions and the appointment of investment managers, so far as possible.

The Trustee believes that ESG factors (including but not limited to climate risk) will be financially material over the time horizon of the Scheme but will have varying levels of importance for different types of assets invested by the Scheme.

Stewardship Policy

The Trustee recognises its responsibility as an owner of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments and is in the best interests of the Scheme’s members.

The Trustee expects all its investment providers to practice good stewardship. When selecting new providers, the Trustee's investment advisers assess the ability of each investment provider to engage with underlying companies in order to promote the long-term success of the investments, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council.

The Trustee has selected one priority theme – corporate transparency – to provide a focus for the monitoring of investment providers' voting and engagement activities. This was chosen as it is a market wide area of risk that is financially material for investments and can be addressed by good stewardship. The Trustee believes it is members' best interests that the Scheme's investment providers adopt strong practices in this area. The Trustee will review this priority regularly and update it if appropriate.

Appendix

Asset allocation

Following the completion of the buy-in transaction with Standard Life in May 2023, the Scheme has three separate allocations in addition to the buy-in:.

ASSET CLASS	MANAGERS	30 JUNE 2023 ALLOCATION (%)
OPPORTUNISTIC ILLIQUID CREDIT	**MAGNETAR**	**9%**
ALL-STOCKS GILT FUNDS	**LGIM**	**1%**
BULK-ANNUITY POLICY	**STANDARD LIFE**	**87%**
TRUSTEE BANK ACCOUNT	**-**	**3%**

Liability hedging targets

The Scheme's defined benefit liabilities are now covered by the buy-in policy with Standard Life. The Trustee seeks to achieve a broad hedge against the estimated interest rate risk and inflation risk of the GMP liability.