

**W & H Marriage & Sons Limited  
Retirement & Death Benefits Scheme  
("the Scheme")**

**Statement of Investment Principles**

September 2020

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## Scope of Document

Under Section 35 of The Pensions Act 1995, the Trustees are required to prepare a written Statement of Investment Principles, dealing with certain specific matters. Also, the Occupational Pension Schemes (Investment) Regulations 2005 set out specific details of the required content of this Statement.

This Statement is limited in scope to those assets supporting the defined benefits provided by the Scheme.

The Statement must cover, among other things, the Trustees' policy for securing compliance with the requirements of section 36 of the 1995 Act (choosing investments) and their policies in relation to:

- the types of investments to be held;
- the balance between different types of investments;
- the investment risk measurement methods and risk management processes to be used;
- the expected return on investments;
- the realisation of investments;
- the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments; and
- the Trustees' policy (if any) in relation to the exercise of the rights (including voting rights) attaching to the investments.

Before preparing this document, the Trustees:

- obtained and considered written advice of a person who is reasonably believed by the Trustees to be qualified by his ability in practical experience of financial matters, and to have the appropriate knowledge and experience of the management of the investments of such schemes.
- consulted the Scheme's sponsoring employer.

The Trustees will review this document at least every three years and without delay after any significant change in investment policy. Once agreed, a copy of this statement will be given to the Scheme Actuary and will be available to Scheme members.

## Prescribed Matters

This Statement covers the Trustees' policy for securing compliance with the requirements of Section 36 of the 1995 Pensions Act (choosing investments). These are as follows:

- The Scheme's assets are held in trust by the Trustees, whose powers of investment are set out in the Trust Deed and Rules. The power of investment is vested in the Trustees.
- The Trustees and fund managers have exercised their powers of investment in accordance with current regulations.
- The Trustees obtained and considered proper advice in writing on the question of whether the investments are satisfactory.
- The Trustees have determined at what intervals and under what circumstances they consider it is desirable to review this statement and the Scheme's investments.

In practice, the Trustees' responsibility is the strategic management of the assets. Day-to-day management is delegated to the fund managers.

The Trustees have determined to undertake an in depth review of the Statement of Investment Principles at least every three years, at which point they will obtain the advice of a person authorised under the Financial Services and Markets Act 2000 and the Scheme Actuary and seek the views of the Scheme's sponsoring employer.

The Trustees and the fund managers exercise their powers of investment with a view to giving effect to the principles contained in section 35 of the Pensions Act 1995.

The Trustees will review the investment performance and the continuing suitability of the funds selected at least annually and note compliance with this statement.

## Investments to be held

The Trustees have delegated day-to-day responsibility of the investment of their assets to their investment managers. They recognise that their investment managers may invest in the following asset classes in With Profits and Unit-Linked funds on behalf of the Scheme, and in a range of marketable securities:

- UK equities;
- Overseas equities;
- Gilts;
- Corporate bonds;
- International bonds;
- Property; and
- Cash.

There is no employer-related investment within the Scheme and none is intended.

## Balance between different kinds of investments

The Trustees recognise the advantages of diversification between asset classes from the perspective of:

- reducing the risk that results from investment in any one particular market; and
- enhancing return.

The allocation of the Scheme's assets to the various investment classes is left to the discretion of the investment managers within the constraints imposed on the managers by the specific investment funds selected by the Trustees.

## Investment risk measurement methods

The Trustees pay close regard to the risks which may arise through a mismatch between the Scheme's assets and its liabilities, and to the risks which may arise from the lack of diversification of investments. They believe that the investment policy adopted does have adequate regard to :-

- the need to diversify between and within each asset class;
- the Trustees' view of the appropriate matching position;
- the funding position of the Scheme; and
- the employer's covenant (i.e. the Trustees' opinion of the employer's continuing ability to support the Scheme in the future).

In assessing risk, the Trustees will be mindful of the Scheme's funding level on a continuing basis and, if they deem it appropriate, on a solvency (winding up) basis. The Trustees will review the level of risk and the matching position in accordance with their views as set out in this Statement at the same time as the actuarial valuations (at least every three years).

The Trustees are aware of the potential short-term market value and income volatility associated with the various asset classes and of the historical correlations between different markets.

The Trustees are satisfied that they are not taking undue investment risk.

## Investment Objectives

The Trustees' principal aim is to ensure that sufficient funds are available to provide benefits as and when required under the Scheme Rules and under legislation. Subject to meeting this principal aim, the Trustees' investment policy is to maximise the long-term investment performance of the Scheme assets having due regard to the matching position and risk management, as set out in this Statement.

The Trustees have considered the Company's covenant and have taken a long-term view to setting their funding and investment objectives. The Trustees are aware that, if the return achieved on the Scheme's assets is lower than that assumed by the Scheme Actuary for continuing valuation funding purposes, the continuing valuation funding position is likely to deteriorate.

## Investment Principles

The Trustees have noted the long-run relationships that exist between the returns from different asset classes.

The Trustees believe that UK and overseas equities are the most appropriate assets for long term funding purposes as they are expected to outperform fixed interest and index-linked assets over the long term. However, the Trustees are aware of the volatility of the returns of this asset class and the impact that this may have on the Scheme's funding position because the market value of the Scheme's assets may fluctuate in a way not mirrored by the Scheme's liability value.

At each member's retirement, the Trustees will :-

- consider taking advantage of the guaranteed annuity rates inherent in part of the With Profits investment and secure the pensioner liability by means of an annuity policy purchased with an insurance company, discharging the Scheme of the liability and hence any further investment considerations, or,
- alternatively, consider paying the pension out of income to the Scheme.

The Trustees believe that the liabilities in respect of the non-pensioner, deferred members who are more than ten years from their normal retirement age are most appropriately matched by means of a diversified portfolio of primarily equity investments. In the period approaching a deferred member's normal retirement age, the Trustees' believe that it is appropriate to uniformly reallocate the assets supporting the member's liability from the equity matched position to the With Profits matched position that will apply after normal retirement age.

Consideration will be given in the longer term to making further investments in gilt or other fixed interest finds to maintain the appropriate investment balance.

## Interim position

The Trustees have noted the current mismatch between the Scheme's investments and the position outlined above.

As a move towards redressing the mismatch, the Trustees have agreed to direct existing funds held outside the With Profits fund and future contributions wholly into equity-based investments.

## Realisation of investments

The Scheme's assets are invested in the investment managers' pooled funds, which in turn invest in securities traded on recognised exchanges. Therefore, the Trustees conclude that the Scheme's investments can be realised if necessary.

## Environmental, Social, Governance ("ESG") and climate change considerations

In endeavouring to invest in best financial interests of the beneficiaries, the Trustees have elected to invest through pooled funds. They acknowledge that they cannot directly influence the social, environmental, ethical and climate change policies and practices of the companies in which the pooled funds invest.

## Stewardship of Investments

The Trustees' policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustees' behalf, having regard to the best financial interests of the beneficiaries over the longer term.

Where this primary consideration is not prejudiced, the investment manager should take account, where it believes appropriate, of social, environment, ethical and climate change factors in the exercise of such rights. The Trustees have reviewed the investment managers' voting policies and decided that they are appropriate. The Trustees also expect the fund managers to engage with investee companies on the capital structure and management of conflicts of interest.

The Trustees will continue to monitor this regularly.

## Investment Manager Arrangements

### **Incentives to align investment managers' investment strategies and decisions with the Trustees' policies**

The Scheme invests in pooled funds. The Trustees acknowledge that the managers' investment strategy and decisions cannot be tailored to the Trustees' policies. However, the Trustees set their investment strategy and then select managers that best suits their strategy taking into account the fees being charged, which acts as the fund managers' incentive.

The Trustees use the fund objective/benchmark as a guide on whether the Scheme's investment strategy is being followed and monitors this regularly.

### **Incentives for the investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term**

The Trustees select their fund managers based on a variety of factors including investment philosophy and process, which it believes should include assessing the long term financial and non-financial performance of the underlying company.

The Trustees also consider the managers' voting and ESG policies and how it engages with the investee company as it believes that these factors can improve the medium to long-term performance of the investee companies.

The Trustees will monitor the fund managers' engagement and voting activity on an annual basis as they believe this can improve long term performance. The Trustees expect their managers to make every effort to engage with investee companies, but acknowledge that its influence may be more limited in some asset classes, such as bonds, as they do not have voting rights.

The Trustees acknowledge that in the short term, these policies may not improve the returns it achieves, but does expect by investing in those companies with better financial and non-financial performance over the long term that this will lead to better returns for the Scheme.

### **How the method (and time horizon) of the evaluation of the fund managers' performance and the remuneration for asset management services are in line with the Trustees' policies.**

The Trustees review the performance of each fund annually on a net of fees basis compared to its objective.

The Trustees assess the performance periods of the individual funds over at least a 3-5 year period or over a market cycle, if appropriate, when looking to select or terminate a manager, unless there are reasons other than performance that need to be considered.

The fund managers' remuneration is a percentage of the assets held in each fund so the amount each manager receives is based upon the value of assets held with them. The remuneration paid out by the Scheme will depend upon the asset allocation. The charges are considered as part of the manager selection process. The charges are monitored regularly by the Trustees to ensure they are in line with the Trustees' policies for each fund. The Trustees believe that its own and each fund manager's goals are aligned.

#### **How the Trustees monitor portfolio turnover costs incurred by the fund managers, and how they define and monitor targeted portfolio turnover or turnover range**

The Trustees do not directly monitor portfolio turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.

#### **The duration of the arrangement with the fund managers**

The Trustees intend to hold each of its investments for the long term but keep this under review.

Changes in investment strategy or changes in the view of the fund manager can lead to the duration of the arrangement being shorter than expected.

## **Compliance**

The Trustees confirm that they have received and considered written advice on the establishment and implementation of their investment strategy.

The Trustees confirm that they have consulted with the Company regarding their strategy. Copies of this statement and any subsequent amendments will be made available to the Company, the Scheme Actuary and the Scheme auditor upon request.

The Trustees will monitor compliance with this Statement at least every three years. This will include a review of the suitability of the investment strategy on an ongoing basis and consideration of the continued suitability of the appointed investment managers.

## **Signed for and on behalf of the Trustees of the Scheme**

Trustee \_\_\_\_\_  
Mr. G. Marriage

Trustee \_\_\_\_\_  
Ms. H. Marriage

Trustee \_\_\_\_\_  
Mr. B. Cass

Date 24<sup>th</sup> September 2020