Oldrid & Co. Limited
Retirement Benefits Scheme

Statement of Investment Principles

22 September 2020

Contents

1. Introduction

1.1. This is the Statement of Investment Principles prepared by the Trustee of the Oldrid & Co. Limited Retirement Benefits Scheme (the Scheme). This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004;
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015;
- 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 Oldrid & Co. 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 any of the areas covered by the statement.

1.5. The investment powers of the Trustee are set out in Clause 4.2 of the Definitive Trust Deed & Rules, dated 1 February 1987. 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 its managers against that target. In doing so, the Trustee considers the advice of its professional advisers, who it considers to be suitably qualified and experienced for this role.

2.2. The day-to-day management of the Scheme's assets is delegated to Schroder Investment Management Limited (Schroders). Schroders' information is detailed in Appendix 1 to this Statement. The investment manager is authorised and regulated by the Financial Conduct Authority, and is 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 investment manager with respect to performance within any guidelines set. The Trustee will also consult the Principal Employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustee has discussed key investment objectives in light of an analysis of the Scheme's liability profile as well as the constraints the Trustee faces in achieving these objectives. As a result, the Trustee's main investment objectives are:

- to ensure that the Scheme can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to achieve a long-term positive real return;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's required contribution levels;
- to invest in assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from the participating employer, the cost of current benefits which the Scheme provides;
- to reduce the risk of the assets failing to meet the liabilities over the long term;
- to minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the above objectives.

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. The Trustee has obtained exposure to investments that it expects will meet the Scheme's objectives as best as possible.

4. Kinds of investments to be held

4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives.

4.2. The Trustee monitors from time to time the employer-related investment content of its portfolio as a whole and will take steps to alter this should it 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 Appendix 1 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 Appendix 1 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 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.

5.5. The Trustee has entered into a de-risking framework through which the balance between growth-seeking and liability-matching assets is automatically adjusted and the exposure to investment risks automatically reduced as the funding position improves. Further details are included in Appendix 1.

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, and considered ways of managing/monitoring these risks:

Risk versus the liabilities

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

6.3. The level of liability risk within the strategy will also be automatically reduced as the funding level improves through the de-risking framework.

Covenant risk

6.4. 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

6.5. 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.

Asset allocation risk

6.6. The asset allocation is detailed in Appendix 1 to this Statement and is monitored on a regular basis by the Trustee.

Investment manager risk

6.7. The Trustee monitors the performance of Schroders on a regular basis in addition to having meetings with the manager from time to time as necessary. The Trustee has a written agreement with Schroders, which contains a number of restrictions on how the investment manager may operate.

Governance risk

6.8. Schroders is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustee monitors these and will report on the manager's practices in its annual Implementation Statement.

Concentration risk

6.9. Schroders is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.

Liquidity risk

6.10. 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 cashflow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.

Currency risk

6.11. 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. Currency hedging is employed to manage the impact of exchange rate fluctuations.

Loss of investment

6.12. The risk of loss of investment by the investment manager and custodian is assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

Environmental, Social and Governance factors

6.13. The Trustee has set policies in relation to the following matters: financially material considerations, non-financial matters, the exercise of voting rights, and engagement activities. These policies are set out in Appendix 1.

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 its professional advisors on these matters, who it deems to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to Schroders.

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 the investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position. The Trustee meets Schroders as frequently as is appropriate in order to review performance.

8. Realisation of investments

8.1. The Trustee has delegated the responsibility for buying and selling investments to Schroders. 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. Financially material considerations, non-financial matters, the exercise of voting rights, and engagement activities

Policy on Environmental, Social and Governance ("ESG") considerations

9.1. The Trustee has considered long-term financial risks to the Scheme, and ESG factors as well as climate risk will potentially be financially material for the Scheme over the length of time until the Scheme's life comes to an end. The extent to which these factors will be financially material will depend upon the lifetime of the Scheme. The Trustee will continue to develop the Scheme's policies to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.

9.2. The Trustee believes that ESG factors should be considered alongside other factors, including, but not limited to, historical performance and fees, when selecting or reviewing the Scheme's investments. The Trustee will be reliant on the information presented by the investment manager and its investment advisors regarding the extent to which an investment manager allows for ESG factors in making its investment decisions. Furthermore, an investment manager's excellence in this area will not take precedence over other factors, including, but not limited to, historical performance or fees.

9.3. From time to time, the Trustee may ask the Scheme's investment manager to attend meetings and provide updates on the funds, which the Trustee may request to include an update on ESG considerations.

9.4. As the investments are held in pooled funds, social, environmental and governance considerations are set by the investment manager. The Scheme's investment manager will ultimately act in the best interests of the Scheme's assets to maximise returns for a given level of risk. The Trustee will assess how this aligns with its own policies as set out in Appendix 1.

9.5. In selecting and reviewing its investment manager, where appropriate, the Trustee will consider the investment manager's policies on engagement and how those policies have been implemented.

Policy on Stewardship

9.6. The Trustee believes that good stewardship and positive engagement can lead to improved governance and better risk-adjusted returns.

9.7. As an investor in pooled funds, the Trustee delegates the exercise of the rights (including voting rights) attaching to the Scheme's investments to its investment manager, who is a signatory to the UK Stewardship Code. The Trustee expects the investment manager to take account of ESG factors and climate risk when exercising these rights and will monitor this through the annual Implementation Statement.

9.8. The Trustee also delegates the undertaking of engagement activities to its investment manager, which includes entering into discussions with company management in an attempt to influence behaviour. As part of this, the Trustee expects its investment manager to assess and monitor developments in the capital structure for each of the companies in which the manager invests. This should include monitoring developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure. This expectation has been communicated to the Scheme's investment manager.

9.9. The Trustee acknowledges the importance of ESG and climate risk within its investment making framework. When delegating investment decision making to its investment manager the Trustee provides the investment manager with a benchmark it expects the investment manager 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), whether directly or as an asset within a pooled fund.

9.10. The Trustee is 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.

9.11. The Trustee considers it to be a part of its investment manager's role to assess and monitor developments in the capital structure for each of the companies in which the manager invests as part of the pooled funds in which the Scheme holds units.

9.12. The Trustee also considers it to be part of its investment manager's role to assess and monitor how the companies in which it is 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 manager invests on behalf of the Scheme.

9.13. In selecting and reviewing its investment manager, where appropriate and applicable, the Trustee will consider the investment manager's policies on engagement and ESG and how those policies have been implemented. If the Trustee finds that any investment manager is not engaging in a suitable manner with the companies in which the manager invests, or is not taking sufficient account of ESG matters in its exercising of voting rights, it will engage with that investment manager with the help of the Scheme's investment consultants.

9.14. Should an investment manager be failing in any of these respects, this should be captured in the Scheme's regular performance monitoring.

9.15. The Scheme's investment manager is granted full discretion over whether or not to hold the equity, debt or other investment in the Principal Employer's business. Through its consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustee has made the Principal Employer aware of its policy on ESG and climate related risks, how it intends to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

9.16. The Scheme's investment consultants, Barnett Waddingham, are independent and no arm of their business provides investment 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.

9.17. The Trustee expects the investment manager to have a conflict of interest policy in relation to its engagement and ongoing operations. In doing so the Trustee believes it has 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.

9.18. In selecting and reviewing its investment managers, where appropriate, the Trustee will consider investment managers' policies on engagement and how these policies have been implemented.

Policy for taking into account non-financial matters

9.19. When constructing the investment strategy and selecting investment managers the Trustee does not take non-financial matters into account.

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 investment managers, the actuary and the Scheme auditor upon request.

Appendix 1

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

1. Choosing investments

The Trustee has appointed Schroders to carry out the day-to-day investment of the Scheme.

The Trustee also holds AVC contracts with Prudential for the receipt of members' Additional Voluntary Contributions (AVCs).

The investment manager and AVC provider are authorised and regulated by the Financial Conduct Authority.

The investment benchmarks and objectives for Schroders are given below:

Fund	Benchmark	Objective
Growth		
Diversified Growth Fund	UK Consumer Price Index (CPI)	Outperform the benchmark by 5% p.a., net of fees, over a market cycle
QEP Global Equity Fund	MSCI World Index (NDR)	Outperform the benchmark by 1% p.a., gross of fees, over a complete market cycle, with a tracking error versus the index of typically less than 1.5% p.a.
Liability Matching		
Synthetic Gilt Funds Physical Gilt Funds	Proxy Scheme liability value	To track the movement in the appropriate proportion of the proxy liability value
Sterling Liquidity Plus	3-month Sterling LIBOR	Meet the benchmark, net of fees

The performance of the investment 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 AVC arrangement is reviewed from time to time.

2. The Trustee's view on the financial materiality of ESG considerations

The Trustee has received training from its investment consultant on ESG factors. The Trustee considered the research findings presented at this training to form its views on the financial materiality of ESG factors as they apply to the Scheme's current investments. Based on its discussions, the Trustee believes that these factors have the potential to impact the risk and/or return profile of the Scheme's investments from time to time. However, the Trustee appreciates that this impact will vary between different asset classes.

1 Assessment and monitoring of investments

As an investor in pooled funds, the Trustee delegates the consideration of all financially material factors in relation to determining the underlying holdings within the pooled funds, including ESG factors, to the Scheme's investment manager as part of their day-to-day management.

The Trustee has not imposed any restrictions relating to ESG issues on its investment manager and has not imposed any exclusions on their investment arrangements based on ESG factors. The Scheme's investment manager is a signatory to the UN Principles of Responsible Investment (UN PRI).

The Trustee will take into account how ESG factors are integrated into the Scheme's manager's fund management processes when selecting, monitoring, engaging with and replacing funds and managers as follows:

Selection of investments

When selecting new investments, the Trustee may request information on ESG integration credentials as part of the selection process. However, an investment manager's excellence in this area will not necessarily take precedence over other factors, including (but not limited to) historical performance or fees.

Monitoring investments

The Scheme's investment manager has its own ESG policy, ESG integration process and ESG resources as part of its wider management processes and capability. From time to time, the Trustee may ask the Scheme's investment manager to attend meetings and provide updates on the funds, which the Trustee may request to include an update on ESG considerations.

Realisation of investments

If any significant ESG integration related issues are identified for a fund or a manager, the Trustee may choose to replace them. However, as per the appointment of funds and managers, the investment manager's 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.

2 Policies in relation to asset manager arrangements

Incentivising alignment with the Trustee's investment policies

When choosing an investment manager, the Trustee selects the manager that most closely aligns with its own investment strategy and policies, including its policy on ESG and climate risk.

The Trustee recognises that when investing in pooled funds there is limited scope to influence the investment manager's strategy and decisions but has resolved to:

- Monitor the performance of the funds relative to the stated investment objectives and philosophy, on which basis the manager has been appointed, to ensure the investment strategy and decisions continue to be in line with the Trustee's expectations.

- In the event that the investment manager ceases to invest in line with the Trustee's policies and expectations, including the management of ESG and climate related risks, its appointment will be reviewed.

Actively managed funds:

The Trustee believes that ESG factors will be financially material to the risk-adjusted returns achieved by the Scheme's diversified growth fund and equity holdings.

These funds are actively managed and aim to achieve their outperformance targets with low volatility and the manager is therefore expected to consider all financially material considerations, including but not limited to ESG factors, when managing the funds.

The Trustee will monitor and engage with the investment manager in relation to ESG factors by asking the manager to attend meetings from time to time to present and discuss their approach to ESG.

The Trustee is satisfied that Schroders has suitable processes to consider ESG factors and take them into account, where relevant, in the selection, retention and realisation of the underlying investments within the funds.

LDI and money market:

The Trustee believes there is less scope for the consideration of ESG issues to improve risk-adjusted returns within these asset classes because of the nature of the instruments used within the LDI funds and the fact that money market investments are short term.

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

In making investment decisions, the Trustee expects the Scheme's active investment manager to assess the long-term financial and non-financial prospects of any investment. The Trustee believes that non-financial factors – such as ESG risk, climate risk and the engagement of investment manager with the companies in which they invest – may have a long-term impact on returns and therefore the investment manager should take these into consideration when making decisions.

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 and will therefore focus on the performance of the investment manager over this timeframe. In particular, 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 does not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short-term targets.

The Trustee expects the investment manager to be voting and engaging on behalf of the Scheme's holdings.

Method and time horizon for assessing performance

Evaluation of investment manager's performance

From time to time the Trustee reviews the investment manager's performance on a net-of-fees basis. This is considered over 3-5 year periods, which is consistent with the Trustee's wider investment policies. This review reflects not only fund returns, but also whether the investment manager continues to invest in line with the Trustee's expectations in terms of their investment approach, philosophy and process. This includes the investment manager's approaches to ESG and climate risk.

Remuneration of investment manager

Details of the fee structures for the Scheme's investment manager are contained in the Trustee's Investment Manager Arrangement Summary document.

The Scheme invests exclusively in pooled funds. In all cases, the investment manager's remuneration is linked to the value of the assets it manages on behalf of the Scheme. Therefore, as the assets grow in value, due to successful investment by the investment manager, the manager receives more in fees and as values fall it receives less. The Trustee believes that this fee structure incentivises the manager to invest in a way that benefits the Scheme; in particular, it enables the investment manager to focus on long-term performance.

The Trustee asks the Scheme's investment consultant to assess whether the investment management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered from time to time.

Portfolio turnover costs

The Trustee acknowledges that portfolio turnover costs can impact on the performance of its investments. However, equally the Trustee believes that active managers can add value through turnover of investments.

When underperformance is identified, the level of turnover may be investigated with the investment manager concerned if it is felt this may have been a significant contributor to the underperformance. In these cases, the Trustee defines the target turnover with respect to the market conditions and peer group practices.

Duration of arrangement with the investment manager

All of the Scheme's investments are in open-ended pooled funds and as such there are no pre-agreed timeframes for investment. However, the Trustee's approach to investing means that investments are expected to be held over a period of 3 years or more.

The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustee's investment aims, beliefs and constraints is assessed periodically as appropriate. As part of this review the ongoing appropriateness of the investment manager, and the specific funds used, is assessed.