The B.E. Wedge Holdings Limited Retirement and Death Benefits Scheme

Statement of Investment Principles

Date agreed: February 2024

Contents

1. Introduction

1.1. This is the Statement of Investment Principles prepared by the Trustee of The B.E. Wedge Holdings Limited Retirement and Death 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;
- the Occupational Pension Schemes (Investment) (Amendment) Regulations 2018; and
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2. In preparing this statement the Trustee has consulted B E Wedge Holdings 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 10 of the Definitive Trust Deed & Rules, dated 12 April 2017 and any subsequent amending and replacement deeds. 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 investment managers. The Scheme's investment managers are detailed in the Appendices to this Statement. The investment 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 investment managers 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 members and the participating employer, 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;
- 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 they expect 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 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 when preparing the Scheme's accounts.

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 2 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 Appendices 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.

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	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.
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.
Asset allocation risk	The asset allocation is detailed in Appendix 2 to this Statement and is monitored on a regular basis by the Trustee.
Investment manager risk	The Trustee monitors the performance of each of the Scheme's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustee has a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
Governance risk	Each investment 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 believes ESG factors as well as climate risk are potentially financially material and will continue to develop the policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
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 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	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	The risk of loss of investment by each 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).

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 investment 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 investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position. The Trustee meets the Scheme's investment managers 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 the investment 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. Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

Financially material considerations

9.1. The Trustee has considered long-term financial risks to the Scheme and believes that environmental, social and governance ("ESG") factors as well as climate risk are potentially financially material and therefore has a policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments.

9.2. Given the Scheme remains open to accrual and the Scheme's objective is to fund future member benefits from the Scheme's assets as they fall due, the Trustee has a long-term time horizon over which it takes into account the financial materiality of ESG factors (including, but not limited to, climate change).

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

9.4. The Trustee will be reliant on the information presented by the investment managers and their investment advisors regarding the extent to which an investment manager allows for ESG in making their investment decisions. Furthermore, an investment manager's excellence in relation to ESG considerations will not take precedence over other factors, including (but not limited to) historical performance or fees.

9.5. Where the Scheme's investments are held in pooled funds, social, environmental and governance considerations are set by each of the investment managers. The Scheme's investment managers 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 their own policies as set out in Appendix 1.

9.6. The Trustee also holds a range of funds on the Aviva platform, receiving advice from Robert Blumberger, an Independent Financial Adviser with Wren Sterling. ESG factors are taken into account when selecting funds for the Trustee to invest in, but do not take precedence over other financially material factors.

9.7. The Trustee has not imposed any restrictions relating to ESG issues on their investment managers and has not imposed any exclusions on their investment arrangements based on ESG factors.

The exercise of voting rights and engagement activities

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

9.9. The Trustee delegates the exercise of the rights (including voting rights) attaching to the Scheme's investments to the investment managers. BlackRock, Newton and LGIM are signatories of the UK Stewardship Code and have stated corporate governance policies which comply with these principles. The Trustee expects the investment managers to take account of ESG factors and climate risk when exercising these rights and will monitor this through the annual Implementation Statement.

9.10. The Trustee also delegates undertaking engagement activities, which include entering into discussions with company management in an attempt to influence behaviour, to the investment managers. As part of this, the Trustee expects their active investment managers 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 managers.

9.11. In selecting and reviewing their investment managers, where appropriate, the Trustee will consider the investment managers' policies on engagement and ESG and how those policies have been implemented. If the Trustee finds that any investment manager is not engaging with the companies in which the manager invests in a suitable manner, 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.

9.12. The Scheme's investment consultant, Barnett Waddingham, is independent and no arm of its business provides investment management services. This, and its FCA Regulated status, makes the Trustee confident that the investment manager recommendations Barnett Waddingham makes are free from conflicts of interest.

9.13. 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 appropriately 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 companies in which the manager invests.

Non-financially material considerations

9.14. 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.

AGREED BY THE TRUSTEE ON 12 FEBRUARY 2024

On behalf of B.E.W.H. Pension Trustee Limited, as Trustee to The B.E. Wedge Holdings Limited Retirement and Death Benefits Scheme

Appendix 1 Investment policy of the Scheme as at December 2023

1. Choosing investments

The Trustee has appointed the following investment managers to carry out the day-to-day investment of the Scheme:

- BlackRock, Inc. ("BlackRock")
  - Aquila Life Consensus Fund
- Legal and General Investment Management ("LGIM"):
  - All World Equity Index Fund
  - All World Equity Index Fund (GBP Hedged)
  - Future World Global Equity Index Fund
  - Future World Global Equity Index Fund (GBP Hedged)
- Newton Investment Management ("Newton")
  - Global Balanced Fund

There are also a number of other professional investment managers, as advised by Wren Sterling, and appointed through the Aviva platform.

The Trustee also has AVC contracts with Standard Life Assurance Company, Utmost Life and Pensions (previously Equitable Life), and ReAssure (previously Windsor Life) for the receipt of members' Additional Voluntary Contributions (AVCs).

Any new AVC contributions are invested with the Standard Life Assurance Company only.

The investment managers and AVC providers are authorised and regulated by the Financial Conduct Authority.

Fund	Benchmark	Objective
BlackRock Aquila Life Consensus Fund	Aquila Life Consensus Fund Benchmark – a composite of the benchmarks of the underlying Aquila Life funds	To produce consistent investment performance in line with the average UK pension fund by tracking the Aquila Life Consensus Fund Benchmark
LGIM All World Equity Index Fund	FTSE All-World Index	To track the performance of the FTSE All-World Index (less withholding tax where applicable) to within +/- 0.5% per annum for two years out of three.
LGIM All World Equity Index Fund (GBP Hedged)	FTSE All-World Index - GBP Hedged	To track the performance of the FTSE All-World Index (less withholding tax where applicable) - GBP Hedged (with the exception of emerging markets), which is a customised index to within +/- 0.5% per annum for two years out of three.
LGIM Future World Global Equity Index Fund	Solactive L&G ESG Global Markets Index	To track the performance of the Solactive L&G ESG Global Markets Index (less withholding tax where applicable) to within +/-0.60% p.a. for two years out of three.
LGIM Future World Global Equity Index Fund (GBP Hedged)	Solactive L&G ESG Global Mkts Idx - GBP Hedged	To track the performance of the Solactive L&G ESG Global Markets –Index - GBP Hedged (less withholding tax where applicable) to within +/-0.60% p.a. for two years out of three,
Newton Global Balanced Fund	Fixed weight comparative index comprising of: • 37.5% FTSE All Share • 37.5% FTSE World (ex UK) • 20% FTSE Actuaries UK Conventional Gilts All Stocks • 5% 7 day compounded SONIA	To exceed the benchmark by 1-2% p.a. over rolling 5 year periods
Wren Sterling investment portfolio	n/a	To achieve capital growth over the longer term

The performance of the investment managers 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 arrangements are invested in a variety of funds, which are reviewed from time to time. As there are less than 30 members with AVCs we have not listed all of the AVC fund benchmarks here, but consider them separately at the time the AVCs are reviewed.

2. Policies on investment manager agreements

Aligning the investment strategy and decisions of the investment manager with the Trustee's investment policies

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

The Trustee recognises that when investing in pooled funds there is limited scope to influence the investment managers' 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, their appointment will be reviewed.

Incentivising 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

In making investment decisions, the Trustee expects the Scheme's active investment managers 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 managers with the companies in which they invest – may have a long-term impact on returns and therefore investment managers should take these into consideration when making decisions.

In order to encourage this, the Trustees has notified the managers of the following:

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

How the method (and time horizon) of the evaluation of the investment manager's performance and remuneration for investment management services are in line with the Trustee's policies

Evaluation of investment managers' performance

From time to time the Trustee reviews the investment managers' 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 managers continue to invest in line with the Trustee's expectations in terms of their investment approach, philosophy and process. This includes the investment managers' approaches to ESG and climate risk.

Remuneration of investment managers

Details of the fee structures for the Scheme's investment managers 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 they manage 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 they receive 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.

How the Trustee monitors portfolio turnover costs incurred by the investment manager, and how the define and monitor targeted portfolio turnover or turnover range

The Trustee acknowledges that portfolio turnover costs can impact on the performance of their 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.

The duration of the arrangement with the investment manager

All of the Scheme's investment 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 Trustees' investment aims, beliefs and constraints is assessed periodically as appropriate. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

Appendix 2 Notes on the investment policy of the Scheme as at December 2023

1. The balance between different kinds of investment

The Scheme has a strategic asset allocation as set out in the section below, which has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification.

Rebalancing

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, within control ranges, and limiting the costs of rebalances.

The table below sets out the target allocation between the three Balanced-style funds and a mixture of asset classes within the Wren Sterling portfolio:

Asset class	Fund	Target allocation between balanced funds	Control range
Balanced	BlackRock Aquila Life Consensus Fund	40%	30.0% – 50.0%
Equities	LGIM Passive Equity Portfolio	20%	15.0%-25.0%
Balanced	Newton Global Balanced Fund	30%	22.5% – 37.5%
Mix of funds	Wren Sterling, investment portfolio through Aviva Platform	10%	7.5% – 12.5%
Total		**100%**	

The Trustee decides on the split of the Aviva investment portfolio in terms of asset class, managers and funds with advice from Robert Blumberger, an Independent Financial Adviser with Wren Sterling.

2. Fee agreements

The fee arrangements with the investment managers are summarised in the Trustee's Investment Manager Arrangement Summary document.

3. Investments and disinvestments

Investments and disinvestments are usually made so as to move the actual asset allocation towards the target asset allocation within the scope of the control ranges set out above.