

Statement of Investment Principles

January 2024

1. Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustee of the Pension and Life Assurance Plan of Kentmere Limited ("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; and
 - the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010.
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2. The Principal Employer of the Scheme is Kentmere Limited. The Trustee has consulted the Principal Employer in relation to the preparation of this statement.
- 1.3. 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.
- 1.4. The investment powers of the Trustee are set out in the Trust Deed and Rules dated 1 January 1974, as amended. This statement is consistent with those powers.
- 1.5. Any change to this statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes is qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.
- 1.6. The Scheme is run on a fully insured basis with Clerical Medical as the sole provider. The statement reflects this.

2. Investment policy

- 2.1. The Trustee's policy is to set and keep under review an investment strategy to meet the Scheme's financial and non-financial objectives.
- 2.2. The Trustees are required by the Scheme's trust deed and rules to invest all of the Scheme's assets in policies or contracts of annuity or assurance with qualifying insurance policies.
- 2.3. Since the Scheme commenced, in 1974, investments have been made with Clerical Medical. Clerical Medical is considered to be a leading pension provider and is regulated by the Financial Conduct Authority.
- 2.4. The contract entered into by the Trustees solely invests contributions in a 'With Profits' fund operated and managed by Clerical Medical (the Clerical Medical With-Profits Fund)

3. Rationale for the Investment approach

3.1. The Trustee's main investment objectives are:

- to ensure that they can meet the members' entitlements as they fall due, in accordance with the Trust Deed and Rules; and
- to invest in assets of appropriate liquidity to meet the cost of current benefits which the Scheme provides.

3.2. The Trustees' reasons for investing in a With Profits policy are as follows:

- the contract with Clerical Medical includes guaranteed rates of minimum growth
- it offers broad diversification across a number of different asset classes

3.3. In addition, an insured arrangement provides:

- the security provided by the insurance company's regulation by the Financial Conduct Authority and the Financial Services Compensation Scheme;
- the expertise provided by the insurance company's administration and investment management teams;
- economies of scale gained through investing in a packaged product with an insurance company.

The Trustee aims to obtain 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 power to invest the Scheme's assets rests with the Trustees.

4.2. The Trustees have, since the Scheme began, been investing in an insurance contract that utilises a With Profits strategy.

4.3. The Trustees have no control over the choice of assets underlying the With Profits strategy within the current insurance contract but have the option of buying out some or all of the benefits or changing the insurance contracts if the Trustees consider that their underlying assets no longer suit the Trustees' objectives.

4.4. Should the Trustees seek to transfer funds away from the Scheme on a bulk or individual basis as part of any investment changes made by the Trustees, Clerical Medical may apply penalties or 'Market Value Adjustments' (MVA) to member funds. In addition, in some cases the advantageous annual bonus rates which attach to members' accounts would be lost.

4.5. Details of the With-Profits Sub-Funds in which the Scheme is invested in are held at: <https://www.clericalmedical.co.uk/fund-availability-and-prices/with-profits-fund.html>

4.6. There is currently no investment made by the Scheme in the Employer, nor in any employer-related business, and none is intended.

5. Expected return on investments

- 5.1. 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.
- 5.2. Having established the investment strategy, the Trustee monitors the performance of the with profits fund on a regular basis and as frequently as appropriate according to market conditions and the Scheme's funding position.

6. Realisation of investments

- 6.1. 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.
- 6.2. The Trustee makes disinvestments from the investment managers with the assistance of its advisers and administrators, as necessary, to meet the Scheme's cashflow requirements.

7. Views of Members and Beneficiaries

- 7.1. The Scheme is comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues (referred to as 'non-financial matters' in the relevant regulations).
- 7.2. The Trustee therefore does not explicitly seek to reflect any specific views through the implementation of the investment strategy.

8. The exercise of voting rights

- 8.1. For the Scheme's investments in pooled funds, the Trustee acknowledges that they cannot directly influence the policies and practices of the companies in which the pooled funds invest.
- 8.2. The Trustee has therefore delegated responsibility for the exercise of rights (including any future voting rights) attached to the Scheme's investments to Clerical Medical and encourages them to engage with investee companies and vote whenever it is practical to do so on financially material matters including those deemed to include a material ESG and/or climate change risk in relation to those investments.
- 8.3. Clerical Medical provides information to the Trustee on their actions in relation to engagement and use of voting rights. The Trustee is therefore aware of the policies adopted by the investment managers.

9. Engagement activities

- 9.1. Responsibility for monitoring the makeup and development of the capital structure of investee companies is delegated to Clerical Medical. The Trustee expects the extent to which Clerical Medical monitors capital structure to be appropriate to the nature of the mandate.
- 9.2. The Trustee also considers it to be part of Clerical Medical's role to, where relevant, 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 firm invests on behalf of the Scheme.

- 9.3. If the Trustee becomes aware of Clerical Medical engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustee's expectation, then the Trustee may consider terminating the relationship with Clerical Medical.

10. Agreement

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