CARTER

R G Carter Limited and Associated Companies Pension Fund

Statement of Investment Principles ("SIP")

Purpose of this Statement

This SIP has been prepared by the Trustee of the R G Carter Limited and Associated Companies Pension Fund (the "Fund"). This statement sets out the principles governing the Trustee's decisions to invest the assets of the Fund.

The Fund's investment strategy is derived from the Trustee's investment objectives. The objectives have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

Governance

The Trustee of the Fund makes all major strategic decisions including, but not limited to, the Fund's asset allocation and the appointment and termination of investment managers.

The Fund's assets are invested with Aviva ("the insurer") in a buy-in policy that secures the pensions payable for all members.

The Trustee expects the insurer to manage the assets delegated to them under the terms of their contract and to give effect to the principles in this Statement so far as is reasonably practicable.

Investment objectives

The primary objective of the Trustee is to seek to ensure that the Fund's assets are invested in such a manner that the benefits due to members and their beneficiaries can be paid as they arise.

Investment strategy

All the Fund's assets are invested with Aviva in a buy-in policy. Note the Trustee still operates a bank account for operational reasons which maintains a minimal balance. The Fund's investment strategy was derived following careful consideration of the nature and duration of the Fund's liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of employer contributions required to fund the cost of insuring the liabilities, and also the strength of the sponsoring company's covenant. The Trustee considered the merits of a range of asset classes.

The benefits of a buy in policy have been deemed appropriate, having taken the Trustee's objectives into account.

The Trustee recognises that the investment strategy is subject to risks, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. The Trustee and its advisers considered this risk when setting the investment strategy and agreed that the best way to mitigate these risks was to insure member benefits via the buy-in policy. Other risks identified are as follows:

- The risk of a shortfall of liquid assets relative to the Fund's immediate liabilities ("cashflow risk"). The Trustee and its advisers considered this risk when setting the investment strategy and have acted to minimise its potential effect via the buy in policy.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustee and their advisers considered this (and potential counterparty) risk when deciding on which insurer to use to transact the buy-in policy.
- The possibility of failure of the Fund's sponsoring employer ("covenant risk"). The nature of the buy-in policy now largely mitigates against the impact of a change in the Sponsor covenant. Reliance on the Sponsor covenant will only be removed entirely when the Fund transitions to buy-out.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Non-Financial Risks

Non-financial risks are not applicable given the liabilities are insured via the buy-in policy.

Investment Management Arrangements

The Trustee has delegated all day-to-day decisions about the operations that fall within the mandate to the insurer through a written contract. When choosing investments, the Trustee, fund managers and insurers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). Fund managers and insurers' duties include voting and corporate governance in relation to the assets.

Investment Manager Monitoring and Engagement

Regular investment manager monitoring and engagement is not applicable given the liabilities are insured via the buy-in policy.

Environmental, Social and Governance ("ESG") considerations

The ISC has agreed an Environmental Social and Governance Policy, which formalises the Trustee's ESG beliefs and its policy on how ESG factors should be integrated in investment decision-making.

The Trustee defines Responsible Investment ("RI") in line with the UN-backed Principle for Responsible Investing ("PRI"), which states that RI is an approach to investing that aims to incorporate ESG factors into investment decisions, to better manage risk and generate sustainable, long term returns.

As part of the investment management of the Fund's assets, the Trustee expects the Insurer to:

- Where relevant, assess the integration of ESG factors in the investment process; and
- Use its influence to engage to ensure the Fund's assets are not exposed to undue risk.

Stewardship – voting and engagement

As part of the management of the Fund's assets, the Trustee expects the Insurer to ensure that (where appropriate) it exercises the Trustee's voting rights in relation to the Fund's assets.

Employer-related investments

The policy of the Trustee is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Funds (Investment) Regulations 2005 except where the Fund invests in collective investment Funds that may hold employer-related investments. In this case, the total exposure to employer-related investments will not exceed 5% of the Fund's total asset value. The Trustee will monitor this on an ongoing basis to ensure compliance.

Direct investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustee will obtain appropriate written advice from their investment advisers.

Additional Voluntary Contributions ("AVCs")

Prior to its closure, the Fund provided a facility for members to pay AVCs into the Fund. The Trustee's objectives with regards to the AVC facility, is to maximise, so far as is reasonable, the AVC assets over the long term with an acceptable degree of variation. Although no further contributions will be paid into these arrangements, existing AVC funds continue to be held with Aviva. The Trustee will review these legacy AVC funds as prescribed by any regulatory guidance.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustee consulted the sponsoring company and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

Signed on behalf of the Trustee of the R G Carter Pension Fund Limited (the Trustee of the Fund).

Signed:

Date: **20th February 2023**