Charles Wells Directors' Pension Scheme ("the Scheme")

Statement of Investment Principles

Investment objective

The Trustee's ultimate aim is to invest the assets of the Scheme to meet members' benefits as and when they fall due. The investment objective is to reach 100% funded on a self-sufficiency basis by 2033 (when the Asset Backed Fund ("ABF") arrangement ceases). The Scheme's funding position will be reviewed at least annually to assess the position relative to the funding target and whether the investment objective remains appropriate to the Scheme's circumstances.

Currently the Scheme targets an expected return of approximately 1.9% per annum above the return on UK Government bonds, which are considered to move in a similar fashion to the calculated value of the Scheme's liabilities.

Investment strategy

The Scheme's present strategy is to invest according to the following broad asset allocation:

Asset Class	Proportion %	Expected Return (Relative to fixed interest gilts) %
Multi-Asset Credit	22.5	2.6
Liquid Diversified Credit	22.5	1.5
Private Credit	20.0	4.2
Liability Driven Investment ("LDI") *	35.0	0.0
TOTAL	**100.0**	**1.9**

*Collateral supports a 100% interest rate and inflation hedge on a Technical Provisions basis.

The expected returns shown in the above table represent the long-term expectations of the respective asset classes as a whole, based on Isio's asset class assumptions as at 30 September 2024.

The above investment strategy was derived from consideration of the nature and duration of the Scheme's liabilities, the risks of investing in the various asset classes, the implications of the strategy for the level of contributions required to fund the Scheme, and also the strength of the sponsor's covenant. The Trustee considered the merits of a range of asset classes before making any decisions.

The Trustee recognises that the investment strategy is subject to risk, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. The risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities. The assets of the Scheme consist predominantly of investments admitted to trading on regulated markets.

Over time the existing asset allocation will deviate from the broad asset allocation above. Any rebalancing decisions should be taken with reference to the advice provided by the Scheme's investment advisers. The Trustee does not intend to rebalance the LDI allocation due to the hedging objective taking precedence over physical allocation, except for when additional cash is required to support the LDI mandate or when the LDI mandate generates excess cash that can be used in other parts of the portfolio.

The Trustee accepts that the investment strategy will not provide a perfect hedge against the Scheme's liabilities as there are many factors such as life expectancy that cannot be controlled by the investment strategy.

Investment mandates

The Trustee has appointed investment managers that are regulated by the Financial Conduct Authority, with whom day-to-day responsibility for the investment of the Scheme's assets rests.

The Scheme currently employs Aegon Asset Management ("Aegon", formerly Kames Capital plc), Alcentra Ltd ("Alcentra"), BlackRock Investment Management (UK) Ltd ("BlackRock"), M&G plc ("M&G") and Schroders Investment Management Ltd ("Schroders").

The fund managers' remuneration is based upon a percentage value of the assets under management.

Details of each fund held, including benchmarks and performance targets are set out in the table below:

Manager	Fund Name	Mandate	Benchmark	Return Target (p.a.)	Fee (p.a.)
Aegon	Absolute Return Bond Fund	Liquid Diversified Credit	LIBOR GBP 3 Month	BM + 2% - 3% gross of fees	Management Fee: 0.30%
Alcentra	Clareant European Direct Lending Fund II (GBP) SCSp	Private Credit	N/A	8%-10% IRR net of fees	Management fee 0.9% Performance fee: 10% subject to preferred return of 5% with catch-up
BlackRock	Diversified Private Debt Fund GP LLP	Private Credit	N/A	6%-7% IRR net of fees	Management fee 0.75% Performance fee: 12.5% subject to preferred return of 5% with catch-

					up
Schroders	Schroder Matching Plus	LDI	Gilts Comparator	Track the comparator	Schroders' LDI fees are based on the notional exposure (liabilities hedged): 0.08% on the first £30m 0.07% on the next £20m 0.06% on the next £50m 0.05% on any exposure above £100m. Subject to a minimum fee of £30k per annum. JP Morgan custody fees are £5k
M&G	Total Return Credit Investment Fund	Multi-Asset Credit	1-Month GBP SONIA	BM + 3% - 5% gross of fees	Management Fee: 0.45%

Note: Outperformance target is approximate. Outperformance figures presented may be either gross or net of fees.
Source: Investment managers.

The Trustee will give careful consideration to appoint the most appropriate managers to manage the assets of the Scheme. The fund managers are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the investment managers via written agreements. For further detail, please refer to Appendix A.

As the Scheme's assets are invested in pooled vehicles, the custody of the holdings is arranged by the fund manager. The custodian provides safekeeping for the assets, and performs all associated administrative duties such as the collection of dividends.

Employer-related investments

The Trustee's policy is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Scheme invests in pooled vehicles that may hold employer-related investments, in which case the total exposure to employer-related investments will not exceed 5% of the Scheme's value.

Direct investments

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

Governance

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

When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee's investment advisers, Isio Group Limited, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience. The investment adviser's remuneration may be a fixed fee or based on time worked, as negotiated by the Trustee in the interests of obtaining best value for the Scheme.

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 employer and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in investment policy.

Signed for and on behalf of the Trustee of the Charles Wells Directors' Pension Scheme.

Appendix A – Risks, Financially Material Considerations, Non-Financial Matters and Stewardship

A non-exhaustive list of risks and financially material considerations that the Trustee has considered and sought to manage is shown below.

The Trustee adopts an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	Definition	Policy
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	• Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength. • Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	• Funding risk is considered as part of the investment strategy review and the actuarial valuation. • The Trustee will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	• When developing the Scheme's investment and funding objectives, the Trustee takes account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support.

Financially material considerations

The Scheme is exposed to a number of underlying risks and financially material considerations relating to the Scheme's investment strategy. The Trustee's policies in respect of these issues, including how financially material considerations are taken into account in the selection, retention and realisation of investments, while the Scheme's investments are required to fund the future benefits, are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme's assets and present value of liabilities from changes in interest rates and	To hedge 90% of these risks on the Technical Provisions basis through the LDI portfolio.

	inflation expectations.	
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members' benefits as they fall due (including transfer values), and to provide collateral to the LDI and synthetic equity manager.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors.
Environmental, Social and Governance ("ESG")	Exposure to ESG factors, including but not limited to climate change, which can affect the performance of the Scheme's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criterion: 1. Responsible Investment Policy / Framework 2. Consideration of ESG factors integrated into investment process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory The Trustee monitors the managers on an ongoing basis.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	To invest in funds that hedge all or the majority of currency risk.

Non-financial matters

Non-financial matters are any factors which are not expected to have a financial impact on the Scheme's investments. It is the Trustee's policy to not take non-financial matters into account in the selection, retention or realisation of investments.

Stewardship of investments

The Trustee's policy in relation to the stewardship of its investments is set out below.

All decisions about the day-to-day management of the assets have been delegated to the investment managers. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;

- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustee takes investment managers' policies in the above respects into account when selecting and monitoring managers. The investment manager is expected to exercise their powers of investment with a view to giving effect to the principles contained within this statement, so far as reasonably practicable.

The Trustee monitors and engages with the Scheme's investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustee seeks to engage on these matters with investment managers.

Performance, Strategy and Risk

Method for monitoring and engagement

- The Trustee receives a performance report three times each year which details information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant Trustee meeting.
- The Scheme's investment managers are invited, in person, to present to the Trustee on their performance, strategy and risk exposures.

Circumstances for additional monitoring and engagement

- There are significant changes made to the investment strategy.
- The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustee's expectations.
- Underperformance vs the performance objective over the period that this objective applies.

Environmental, Social, Corporate Governance factors and the exercising of rights

Method for monitoring and engagement

- The Trustee's investment managers provide periodic reports on how they have engaged with issuers regarding social, environmental and corporate governance issues.
- The Trustee receives information from its investment advisers on the investment managers' approaches to engagement.
- The Trustee will engage, via their investment adviser, with investment managers and/or other relevant persons about relevant matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflict of interest, risks, social and environmental impact and corporate governance.

Circumstances for additional monitoring and engagement

- The manager has not acted in accordance with their policies and frameworks.

- The manager’s policies are not in line with the Trustee’s policies in this area.

Through the engagement described above, the Trustee will work with the investment managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustee will review the relevant investment manager’s appointment and will consider terminating the arrangement.

Appendix B – Alignment of Managers' Interests with Scheme

The Trustee has the following policies in relation to the investment management arrangements for the Scheme:

How the investment managers are incentivised to align their investment strategy and decisions with the Trustee policies.	• As the Scheme is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustee's policies. However, the Trustee invests in a portfolio of pooled funds that are aligned to the strategic objective.
How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.	• The Trustee reviews the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. • The Trustee does not incentivise the investment managers to make decisions based on non-financial performance.
How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustee policies.	• The Trustee reviews the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	• The Trustee does not directly monitor 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 Scheme's arrangements with the investment managers	• The duration of the arrangements is considered in the context of the type of fund the Scheme invests in. o For closed ended funds or funds with a lock-in period the Trustee ensures the timeframe of the investment or lock-in is in line with the Trustee objectives and Scheme's liquidity requirements. o For open ended funds, the duration is flexible and the Trustee will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.
Voting Policy (where applicable) - How the Trustee expect	• The Trustee monitors the voting policies that are implemented by the Scheme's investment

investment managers to vote on their behalf	managers on their behalf.

Engagement Policy - How the Trustee will engage with investment managers, direct assets and others about 'relevant matters'	• The Trustee monitors the engagement policies that are implemented by the Scheme's investment managers on their behalf.
	• The Trustee, via their investment advisers, will engage with managers about 'relevant matters' at least annually.
	• Example stewardship activities that the Trustee has considered are listed below.
	  o Selecting and appointing asset managers – the Trustee will consider potential managers' stewardship policies and activities
	  o Asset manager engagement and monitoring – on an annual basis, the Trustee assesses the voting and engagement activity of their asset managers. The results of this analysis feeds into the Trustee's investment decision making.