The Ford & Slater Pension Scheme ("the Scheme")
Statement of Investment Principles ("SIP")

Investment Objective

The Trustee aims to invest the assets of the Scheme prudently with the intention that the benefits promised to members are provided. In setting the investment strategy, the Trustee first considered the lowest risk asset allocation that it could adopt in relation to the Scheme's liabilities. The asset allocation strategy it has selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Scheme's liabilities.

The overall objective has been agreed with the Employer and is as follows:

To set an investment strategy which targets an expected return over the liabilities (as valued by gilt yields) of at least 2.5% per annum (net of fees).

STRATEGY

The **planned asset allocation strategy** chosen to meet the objective above is set out in the table below. The Trustee reviews the target asset allocation of the Scheme at least triennially to ensure that it meets the requirements of the objective.

The Trustee monitors the actual allocation versus the target asset allocation on a quarterly basis and assesses any material differences.

Investment	**Target Allocation %**
LGIM - World Equity Index Fund	35%
LGIM - World Equity Index Fund - GBP Currency Hedged	
Liability Driven Investment ("LDI")	55.0
Sterling Liquidity Fund	
LGIM - Property Fund	10.0

The planned asset allocation strategy was determined with regard to the actuarial characteristics of the Scheme, in particular the strength of the funding position and the liability profile. The Trustee's policy is to make the assumption that equities will outperform gilts over the long term. However, the Trustee recognises the potential volatility in equity returns, particularly relative to the Scheme's liabilities and the risk that the fund manager does not achieve the targets set. When choosing the Scheme's planned asset allocation strategy the Trustee considered written advice from its investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes including property.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004 and the Occupational Pension Schemes (Investment) Regulations 2005, 2018 & 2019. The Trustee also complies with the requirements to consult with the Employer, to maintain and take advice on the Statement and to disclose the Statement on a publicly available website.

The Trustee has implemented an LDI solution with LGIM which has been designed to broadly match the maturity profile of the Scheme's liabilities and reduce the impact of changes in gilt yields and inflation expectations on the Scheme’s funding level. The LDI solution will be reset triennially to reflect the new membership data and assumptions from each actuarial valuation, or upon there being a material change to the liabilities.

In addition, the Trustee also consulted with the sponsoring employer when setting this strategy. In setting the Scheme’s investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. These include the risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from their investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.

RISK

The Trustee maintains a 'Statement of Funding Principles' which specifies that the funding objective is to have sufficient assets so as to make provision for 100% of the Scheme's liabilities as determined by an actuarial calculation.

The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Scheme's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustee and its advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("cash flow risk"). The Trustee will manage the Scheme's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund manager to achieve the rate of investment return assumed by the Trustee ("manager risk"). This risk is considered by the Trustee and its advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustee and its advisers considered this risk when setting the Scheme's investment strategy and has also mandated to the fund manager employed that a suitably balanced portfolio of assets should be maintained at all times.
- The possibility of failure of the Scheme's sponsoring employer ("covenant risk"). The Trustee considered this risk when setting the investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- 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.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

Having set an investment objective which relates directly to the Scheme's liabilities and implemented it using a fund manager, the Trustee's policy is to monitor these risks quarterly, where possible. The Trustee receives quarterly reports showing:

- Progression of the Scheme's funding level.
- Performance of fund managers versus its respective targets.
- Any significant issues with the fund manager that may impact their ability to meet the performance targets set by the Trustee.

IMPLEMENTATION

Aon Investments Limited ("Aon") has been selected as investment adviser to the Trustee. They operate under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions itself and to monitor those it delegates. Aon is paid an annual fee for an agreed range of services needed on a regular basis. Any additional services falling outside those agreed will be charged for separately. This structure has been chosen to ensure that cost-effective, independent advice is received.

The fund manager structure and investment objectives for the fund manager are as follows:

LGIM - World Equity Index Fund – the fund aims to perform in line with the FTSE World Index
LGIM - World Equity Index Fund - GBP Currency Hedged – The fund aims to perform in line with the FTSE World Index GBP Hedged
LGIM – Pooled LDI Funds – Each fund aims to track the performance of a specified portfolio of gilts/index-linked gilts.
LGIM – Managed Property Fund - The fund aims to exceed the MSCI/AREF UK Quarterly All Balanced Property Fund Index (UK PFI) over three and five year periods.

The Trustee has delegated all day-to-day decisions about the investments that fall within the mandate, including the realisation of investments, to the fund manager through a written contract. When choosing investments, the Trustee and the fund manager (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).

Arrangements with Fund Managers

The Trustee monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the fund managers are aligned with the Trustee's policies. Where applicable, this includes monitoring the extent to which fund managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by its investment adviser.

The Trustee receives reporting and verbal updates from the investment adviser on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focusses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme's objectives and assesses the fund managers over the long-term.

Before the appointment of a new fund manager, the Trustee will review the governing documentation associated with the investment and consider the extent to which it aligns with its policies. The Trustee would only appoint a fund manager whose governing documentation is substantially in line with its policies.

The Trustee believes that having appropriate governing documentation, setting clear expectations to the fund managers (and doing so by other means e.g. verbally or in writing at time of appointment), and regular monitoring of fund managers' performance and investment strategy, is in most cases sufficient to incentivise the fund managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where fund managers are considered to be making decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager but could ultimately replace the fund manager where this is deemed necessary.

There is typically no set duration for arrangements with fund managers, although the continued appointment of all fund managers will be reviewed on an ongoing basis.

The Trustee does not regularly monitor asset managers against non-financial criteria of the investments made on its behalf, mainly because the Scheme has adopted a passive approach in relation to the majority of its investment portfolio.

Stewardship – Voting and Engagement

The Trustee recognises the need to ensure a high standard of governance and the promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately creates long-term financial value for the Scheme and its beneficiaries.

The Trustee regularly reviews the suitability of the Scheme's appointed fund managers and takes advice from its investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee would engage with the manager (where possible) and seek a more sustainable position but may ultimately look to replace the manager if such position cannot be reached.

The Trustee reviews the stewardship activities of its fund managers on an annual basis, covering both engagement and voting actions. The Trustee will review the alignment of its policies to those of the Scheme’s fund managers and ensure its managers use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability, and positive change.

The Trustee will engage with its fund managers as necessary for more information, to ensure that sensible and proportional ownership behaviours, reflective of its active ownership policies, are being actioned at the correct time.

With regard to transparency over voting, the Trustee expects to receive reporting from its fund managers on voting actions and rationale for those votes, where relevant to the Scheme, in particular, where: votes were cast against management; votes against management generally were significant (more than 20%) or votes were abstained.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with a fund manager. The Trustee may engage on matters concerning an issuer of debt or equity, including its performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest – noting that the passive mandate does significantly reduce fund manager discretion

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"[1]).

Costs & Performance Monitoring

The Trustee recognises the importance of monitoring the level of investment costs incurred in the management of its assets and the impact these can have on the value of the assets.

Furthermore, the Trustee believes that a passive fund management strategy undoubtedly delivers lower investment costs and is particularly suitable for relatively smaller market participants where the Scheme is also relatively well funded.

Cost Transparency

The Trustee is provided with full cost transparency by its Scheme's fund managers. Prior to their appointment, the Trustee expects fund managers to confirm their adherence to providing this information. The Trustee expects that routine information e.g. valuations, invoices, transaction statements, the breakdown of any investments, disinvestments and switches, fund performance, pricing and quarterly reports to all be made available through an online client portal e.g. www.lgimconnect.com in respect of the current fund manager.

The Trustee assesses the performance of its fund managers on a quarterly basis and the remuneration of its fund managers on an annual basis. On an annual basis, all of the fund managers' costs incurred in managing the Scheme assets are reviewed by the Trustee, using industry standard templates. These costs include portfolio turnover costs (transaction costs). Where the disclosed costs are out of line with expectations the managers will be asked to explain the rationale, including why it is consistent with their investment strategy.

Portfolio Turnover

The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. A high level of transaction costs would only be acceptable where it was consistent with the asset class characteristics and manager style, as well as justified by a track record of investment returns ahead of the wider market. Where the Trustee's monitoring identifies a lack of consistency the mandate will be reviewed.

Targeted portfolio turnover is defined as the expected frequency with which each underlying fund managers' fund holdings change over a year. The Scheme's investment adviser monitors this on behalf of the Trustee as part of the manager monitoring they provide to the Trustee and flags to the Trustee where there are concerns.

[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

GOVERNANCE

The Trustee is responsible for the investment of the Scheme's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision making structure:

Trustee
- Sets structures and processes for carrying out its role.
- Selects and monitors planned asset allocation strategy.
- Monitors actual returns versus the Scheme's investment objective.
- Selects and reviews direct investments (see below).

Investment Adviser
- Advises on all aspects of the investment of the Scheme's assets, including implementation.
- Advises on this statement.
- Provides required training.

Fund Manager
- Operates within the terms of this statement and its written contracts.
- Selects individual investments with regard to their suitability and diversification.
- Comments, where applicable, on the suitability of the indices in its benchmark.

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager under a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments.**

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. These include vehicles available for members' Additional Voluntary Contributions ("AVCs"). When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager(s).

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund manager) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The Trustee's investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustee expects the fund manager to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

The fund manager is remunerated on an ad valorem basis. The level of remuneration paid to the fund manager is reviewed regularly by the Trustee against market rates to ensure the fund manager's interests are aligned with those of the Scheme.

In addition, the fund manager pays commissions to third parties on many trades it undertakes in the management of the assets and also incurs other ad hoc costs. The Trustee receives statements from the fund manager setting out these costs and reviews them regularly with advice from its investment adviser. This is to ensure that the costs incurred are commensurate with the goods and services received.

The Trustee will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

Effective date: October 2022