The Capper & Co Ltd Pension and Assurance Scheme

Statement of Investment Principles

Introduction

Section 35 of the Pensions Act 1995 ("the Act") requires the Trustees to prepare a statement of the principles governing investment decisions ("the Statement") for the purposes of the Scheme. This document fulfils that requirement.

In preparing this Statement, and to comply with Section 36 of the Act, the Trustees have obtained advice from Hughes Price Walker. The Trustees will obtain such advice, as they consider appropriate and necessary, whenever they intend to review or revise the Statement.

In preparing this Statement, the Trustees have consulted A F Blakemore and Son Limited ("the Employer") and will do so whenever the Trustees intend to revise the Statement. Responsibility for maintaining the Statement and deciding investment policy rests solely with the Trustees.

The Trustees will review the Statement at least every three years and after any significant change in investment policy.

Career Average Salary Section and former Final Salary Section

Investment Objectives

The investment objectives of the Scheme are:

(a) The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet the cost of benefits that the Scheme provides as set out in the Trust Deed and Rules;

(b) So far as reasonably possible, to avoid the risk of the assets failing to meet the liabilities on an ongoing basis;

(c) To minimise the long term costs of the Scheme by maximising the return on the assets so far as is both prudent and consistent with the above objectives.

In June 2019, the Trustees agreed to appoint a number of investment managers, utilising a variety of asset classes, in the following proportions:

Fund	Initial Allocation (%)
Equity (Baillie Gifford Global Alpha Growth Fund)	23.5
Alternative funds in the following proportions:	53.0
Partners Fund *Baillie Gifford Diversified Growth Fund*	*1/3 rounded to £0.5m* *Remainder*
LDI (BMO Funds)	23.5

As the Trustees committed to a certain level of investment to the Partners Fund and LDI in advance, the actual proportions invested in each fund would have differed and would fluctuate over time.

The Trustees believe that the assets are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

The Trustees consider that this policy represents investment in suitable asset classes, is appropriately diversified, and provides a reasonable expectation of meeting the above objectives.

The Trustees may, after consultation with the Employer, temporarily switch an amount out of any fund and into any other fund managed by Baillie Gifford. The reasons for such a switch could be with a view to making potential relative gains from future market movements or a change in the Trustees' view of the investment risk they wish to take. After doing so, the position will be kept under review at regular Trustee meetings. The aim would then be to switch back to the intended long term asset allocation when the anticipated market movements occur or when the appetite for risk changes in the appropriate direction.

Investments and Disinvestments

The 17.5% initial allocation to the Partners Fund is an estimate. No money will be invested into, or disinvested from, this fund in order to move closer to that proportion.

From time to time the LDIs fund may distribute cash or require a cash injection due to a rebalancing event. Where such an event occurs, the cash will be distributed to / injected from the Baillie Gifford Global Alpha Growth Fund and/or the Baillie Gifford Diversified Growth Fund to move towards the 23.5%:53.0% ratio for the equity:alternative high level allocation.

In the normal course of business, day to day investments and disinvestments will be made to and from the Baillie Gifford Global Alpha Growth Fund and/or the Baillie Gifford Diversified Growth Fund to move towards the 23.5%:53.0% ratio for the equity:alternative high level allocation.

Delegation of Investment Discretion

The Trustees have delegated day-to-day investment management to the investment managers which are regulated by the FCA.

The investment managers manage the investments of the Scheme's assets in accordance with the following objectives:

Fund	Objective
Baillie Gifford Global Alpha Growth Fund	The fund aims to outperform the MSCI AC World Index by at least 2.0% per annum (before management fees), over rolling five year periods.
Partners Fund	To achieve capital growth over the medium to long term by investing in various alternative asset classes and/or alternative investment strategies.
Baillie Gifford Diversified Growth Fund	To outperform the UK Base Rate by at least 3.5% per annum (net of fees) over rolling five year periods with an annualised volatility of less than 10%.
BMO Nominal Dynamic LDI Fund	To hedge a generic fixed liability profile.
BMO Short Profile Nominal Dynamic LDI Fund	To hedge a generic short duration fixed liability profile.
BMO Real Dynamic LDI Fund	To hedge a generic inflation-linked liability profile.
BMO Short Profile Real Dynamic LDI Fund	To hedge a generic short duration inflation-linked liability profile.

The terms of the delegation are set out in agreements between the Trustees and the investment managers. The agreement includes such matters as investment objectives, the procedures for instructions, custody of the assets, voting, fees and charges.

Realisation of Investments

The Trustees will hold sufficient cash to meet the likely expenditure on benefits and expenses from time to time. The Trustees will also hold sufficient assets in liquid investments to meet unexpected cashflow requirements in the majority of circumstances so that, where possible, the realisation of assets will not disrupt the Scheme's overall investment policy.

Expected Return on Investments

The investment strategy was developed by balancing the Trustees' key requirements. The investment strategy was chosen to remove a large portion of the risk of adverse movements in interest rates, generate the returns necessary to fund the Scheme and to maintain sufficient liquid assets to meet likely cashflow needs. In the Trustees' opinion, the chosen strategy offers an acceptable trade-off between risk and return.

Risk Management

The Trustees recognise and monitor a number of risks involved in the investment of the assets of the Scheme:

- *Solvency risk and mismatching risk* – addressed through the underlying asset allocation, mitigated by the use of LDI funds and monitored through ongoing triennial actuarial valuations.
- *Manager risk* – addressed through the performance objectives and the ongoing monitoring of the investment managers and enhanced by the diversification effect of using multiple managers.
- *Liquidity risk* – the Scheme's administrators monitor the level of cash held in order to limit the impact of cashflow requirements on the investment policy.

Liability Hedging

In 2019, the strategy allocated approximately 23.5% of the assets to BMO LDI funds. These funds were expected to hedge around 90% of the fixed liabilities of the Scheme and 80% of the real liabilities of the Scheme.

Investment Management Monitoring

The Trustees will receive quarterly reports from Hughes Price Walker Limited and will meet with their representatives as necessary to review their investment performance and processes. Through this process of regular reporting and review, the Trustees aim to ensure that the investment managers are performing competently and in compliance with this Statement.

Socially Responsible Investment

As the assets of the Scheme are managed in pooled arrangements, the Trustees accept that the assets are subject to the investment managers' own policies on social, environmental and ethical investment considerations when selecting, retaining or realising investments.

AVCs

Prior to the Scheme's closure to future accrual, the Trustees provided a facility for members to pay AVCs into the Scheme to enhance their benefits at retirement. Members could invest in a range of funds managed by Standard Life Assurance Limited and The Equitable Life Assurance Society.

Money Purchase Section

Investment Policy

The Trustees have appointed Baillie Gifford as investment manager. The Trustees' investment policy is to offer members of the Money Purchase Section the following range of funds:

Type of fund	Name
UK equity	Baillie Gifford UK Equity Core Fund
Global equity	Baillie Gifford Global Alpha Growth Fund; and Baillie Gifford UK and Worldwide Equity Fund
Emerging markets equity	Baillie Gifford Emerging Markets Leading Companies Fund
Managed	Baillie Gifford Managed Fund
Diversified growth	Baillie Gifford Diversified Growth Fund; and Baillie Gifford Multi Asset Growth Fund
Corporate bond	Baillie Gifford Investment Grade Long Bond Fund
Annuity protection	Baillie Gifford Active Long Gilt Fund
Annuity protection	Baillie Gifford Active Index Linked Gilt Fund

The funds offered give a range of different risk and return characteristics so that members can construct an overall portfolio suitable to provide for their pensions at retirement. Members are responsible for choosing their own investment strategy from the range of funds on offer.

An optional lifestyle facility is available as a default strategy for members who do not wish to choose their own investment strategy. Under the lifestyle strategy, members' investments are automatically changed as they approach their chosen retirement date to minimise the different investment risks.

The lifestyle strategy consists of the following two funds:

- Baillie Gifford Global Alpha Pension Fund
- Bailie Gifford Multi Asset Growth Fund

Under the lifestyle strategy, members who are more than five years from their chosen retirement date will be invested in the Baillie Gifford Global Alpha Growth Fund. Over the five years before the chosen retirement date, members' funds will be gradually moved to the Baillie Gifford Multi Asset Growth Fund. The aim is to broadly have 100% of the member's funds in the Baillie Gifford Multi Asset Growth Fund at retirement.

The Trustees believe it is in the best interests of members to be invested in equities when there is a long period to retirement then, when approaching retirement, to be invested in safer assets. The strategy looks to maximise the absolute value of the DC pots, subject to reasonable protections against downside volatility as retirement approaches.

Delegation of Investment Discretion

The Trustees have delegated day-to-day investment management to Baillie Gifford, which is regulated by the FCA. The investment manager manages the investments of the Scheme's assets in accordance with the following objectives:

Fund	Objective
Baillie Gifford UK Equity Core Fund	To outperform the FTSE All-Share Index by at least 1% per annum over rolling three year periods (before the management fee).
Baillie Gifford Global Alpha Growth Fund	The fund aims to outperform the MSCI AC World Index by at least 2.0% per annum (before management fees), over rolling five year periods.
Baillie Gifford UK and Worldwide Equity Fund	To outperform a composite index comprising 60% UK and 40% overseas equities by at least 1% per annum over rolling three year periods (before the management fee).
Baillie Gifford Emerging Markets Leading Companies Fund	To produce attractive returns over the long term through investment primarily in a concentrated portfolio of the larger and more tradable companies, as measured by the value of their freely floating shares and value of shares traded, in emerging markets worldwide and in any economic sectors of such markets.
Baillie Gifford Managed Fund	The objective is to produce capital growth over the long term.
Baillie Gifford Diversified Growth Fund	To outperform the UK Base Rate by at least 3.5% per annum (net of fees) over rolling five year periods with an annualised volatility of less than 10%.
Baillie Gifford Multi Asset Growth Fund	To outperform the UK Base Rate by 3.5% per annum (net of fees) annualised over rolling five-year periods with an annualised volatility of less than 10% over rolling five-year periods.
Baillie Gifford Investment Grade Long Bond Fund	The objective is to produce attractive returns over the long term, while achieving a higher level of income than would be available from investment only in comparable UK Gilts, by investing primarily in a diversified portfolio of investment grade long bonds denominated in sterling.
Baillie Gifford Active Long Gilt Fund	To outperform the FTSE Actuaries UK Conventional Gilts Over 15 Years Index by 0.5% per annum (before fees) over rolling three-year periods.
Baillie Gifford Active Index Linked Gilt Fund	To outperform the FTSE Actuaries UK index-Linked Gilts Over 5 Years Index by 0.5% per annum (before fees) over rolling three-year periods.

The terms of the delegation are set out in agreements between the Trustees and the investment manager. The agreement includes such matters as investment objectives, the procedures for instructions, custody of the assets, voting, fees and charges.

Realisation of Investments

When benefits in respect of any member become payable, the Trustees will consider whether it is appropriate to realise the assets attributable to that member.

Expected Return on Investments

The Trustees expect the return on the UK equity fund, the overseas equity fund, the global equity fund and the managed fund to exceed the return on the bond funds as well as the rate of increase in prices and earnings.

The Trustees expect the return on the diversified growth fund and multi asset fund to be around 3.5% pa above bank base rates over the longer term.

Risk Management

The Trustees recognise and monitor a number of risks involved in the investment of the assets of the Scheme:

- *Market volatility risk* – whilst the risk of poor investment returns (and the cost of securing pensions at retirement) is ultimately borne by the members, the Trustees provide members with an optional lifestyle strategy which, unless they choose otherwise, gradually moves each member's accumulated fund and future contributions into the gilt and multi asset funds as they approach their chosen retirement date.
- *Manager risk* – addressed through the performance objectives and the ongoing monitoring of the investment manager.

Investment Management Monitoring

The Trustees will receive quarterly reports from the investment manager and will meet with its representatives as necessary to review its investment performance and processes. Through this process of regular reporting and review, the Trustees aim to ensure that the investment manager is performing competently and in compliance with this Statement.

Socially Responsible Investment

As the assets of the Scheme are managed in pooled arrangements, the Trustees accept that the assets are subject to the investment manager's own policies on social, environmental and ethical investment considerations when selecting, retaining or realising investments.

Defined Benefit and Defined Contribution Sections

Environmental, Social and Corporate Governance Matters

The Scheme's overarching responsibility is to deliver financially sustainable returns for an acceptable level of risk to meet the future pension benefits of the members and, in respect of the defined benefit section, in a way that employer contributions paid into the Scheme are as stable and affordable as possible.

The Trustees have a duty to act in the best financial interests of the Scheme's beneficiaries and the Scheme is a long-term investor. This includes considering Environmental, Social and Corporate Governance ('ESG') risks and opportunities that may be financially material to the Scheme. The Trustees invest in pooled funds and so the assets are subject to the investment manager's own policies on ESG considerations, including climate change, capital structure and conflicts of interest. The Trustees undertake due diligence when appointing investment managers and review each of those managers' policies on ESG considerations. The Trustees appreciate that those investment managers which integrate ESG considerations can help mitigate risks and have the potential to lead to better, long-term financial outcomes.

The appointed investment managers have opted to sign the United Nations-supported Principles for Responsible Investment (PRI). As signatories to the PRI, the investment managers have made the following commitments:

> As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).
>
> We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:
>
> Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
>
> Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
>
> Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
>
> Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
>
> Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
>
> Principle 6: We will each report on our activities and progress towards implementing the Principles.

The investment managers' reports related to PRI and their statements on compliance with the Financial Reporting Council (FRC) Stewardship Code, which is seen as the UK standard for good stewardship, are reviewed by the Trustees at least once every three years.

Exercise of rights

As the Trustees invest in pooled funds, the investment managers make decisions related to:

- the exercise of any rights, including voting rights, attaching to the investments; and
- engagement activities in respect of the investments.

Arrangements with the investment managers

The Trustees have appointed their investment managers' funds to each mandate within the Trustees' agreed asset allocation. The Trustees only invest in pooled investment vehicles. Therefore, the Trustees are not able to specify the risk profile and return targets of the manager. However, after considering appropriate investment advice, pooled funds with appropriate expected return and risk characteristics are chosen for each asset class to align with the overall investment strategy.

The underlying investment managers are responsible for all decisions to select and remove individual investments within the portfolios they manage.

In the case of multi-asset funds, the underlying investment managers are responsible for the allocation to separate asset classes.

The Trustees are long term investors and do not look to change the investment arrangements on a frequent basis. The Trustees do not have any fixed-term agreement with any investment manager.

The underlying investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the respective asset class. The Trustees receive investment performance reports on a quarterly basis, which present performance information, risk statistics and commentary on the underlying investment managers over 3 months, 1 year, 3 years and 5 years where data is available. As long term investors, the Trustees' focus is on long term performance. The underlying investment managers are remunerated by charges based on the value of the assets that they manage on behalf of the Scheme. This is the primary means of incentivising managers as, if the funds are not performing as required, they may be replaced.

The Trustees therefore consider that the method of remunerating the underling investment managers, combined with their own long term attitude towards performance, incentivises them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. This encourages the underlying investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

Portfolio turnover costs

Portfolio turnover costs means the costs incurred by the buying, selling, lending or borrowing of investments.

The Scheme invests in a range of pooled funds, many of which invest in a wide range of asset classes. As a result, the Trustees do not currently have a target for portfolio costs and neither do they monitor portfolio turnover costs in the funds. However, the performance reports reviewed by the Trustees show returns net of all charges, including portfolio turnover costs.

This Statement has been agreed by the Trustees of the Capper & Co Ltd Pension and Assurance Scheme

Signature: _______________________

Name: Karein Davie (representing Clarity Trustees Limited)

Position: Trustee Chair

Capper & Co Ltd Pension and Assurance Scheme

Date: 16 September 2020