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.

This SIP has been prepared after obtaining and considering written advice from LCP, the Trustees' investment adviser, whom the Trustees believe to be suitably qualified and experienced to provide such advice. The advice considered the suitability of investments including the need for diversification given the circumstances of the Scheme and the principles contained in this SIP. 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, 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.

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.

The Trustees reviewed the Scheme's investment strategy in October 2021. The resulting strategic allocation is as follows:

Fund	Initial Allocation (%)
Equity (Baillie Gifford Global Alpha Growth Fund)	15.0
Private Markets (The Partners Fund) Diversified Growth (Baillie Gifford Diversified Growth Fund)	10.0 15.0
Multi-Asset Credit (Barings Global High Yield Credit Strategies Fund)	15.0
Corporate bonds (BMO Global Low Duration Credit Fund)	15.0
LDI (BMO Funds)	30.0

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.

Investments and Disinvestments

From time to time the LDI funds 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 with a view to maintaining the strategic allocation weights as far as is practical.

Similarly 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 Baillie Gifford Diversified Growth Fund with a view to maintaining the strategic allocation weights as far as is practical.

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	To outperform the MSCI AC World Index by at least 2.0% per annum (before management fees), over rolling five year periods.
Partners Fund	Generate an absolute return of 8 – 12% p.a. net of all fees, across a full market cycle (~5 years)
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%.

Barings Global High Yield Credit Strategies Fund	To provide a return in line with 3 month term Secured Overnight Financing Rate (SOFR) + 5% pa
BMO Global Low Duration Credit Fund	To deliver a total return commensurate with investment in low duration non-government bonds and other similar assets.
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 Short Profile Real Dynamic LDI Fund	To hedge a generic short duration inflation-linked liability profile.
BMO Credit-linked Real Dynamic LDI Fund	To hedge a generic inflation linked liability profile, whilst providing exposure to credit

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.

Considerations in Setting the Investment Arrangements

When deciding how to invest the Scheme's assets, it is the Trustees' policy to consider a range of asset classes, taking account of the expected returns and risks associated with those asset classes, as well as their beliefs about investment markets and which factors are most likely to impact investment outcomes. The primary ways that the Trustees manage investment risk is via diversification, ensuring they receive professional written advice prior to making any material investment decision, and their ongoing monitoring and oversight of the investments.

In setting the strategy it is the Trustees' policy to consider:

- their investment objectives, including the target return required to meet these;
- the circumstances of the Scheme, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant; and
- the need for appropriate diversification between different asset classes to manage investment risk, and ensure that both the overall level of investment risk and the balance of individual asset risks are appropriate.

The Trustees also consider any other factors which they believe to be financially material over the applicable time horizons to the funding of the DB benefits, including environmental, social and governance ("ESG") factors and the risks and opportunities relating to climate change.

The Trustees' key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- costs may have a significant impact on long-term performance and therefore obtaining value for money from the investments is important;
- risk-taking is necessary to achieve return, but not all risks are rewarded. Equity, credit, and illiquidity are the primary rewarded risks. Risks that do not have an expected reward should generally be avoided, hedged, or diversified;
- ESG factors should be considered when making investment decisions, and managers may be able to improve risk-adjusted returns by doing this; and
- climate change is a financially material systemic issue that presents risks and opportunities for the Scheme over the short, medium and long term.

Implementation of the Investment Arrangements

Before investing in any manner, the Trustees will obtain and consider proper written advice from their investment adviser as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

The Trustees have limited influence over managers' investment practices because all the Scheme's assets are held in pooled funds, but the Trustees encourage the Scheme's managers to improve their practices within the parameters of the fund they are managing.

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

The Trustees' view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives, guidelines, and restrictions of their fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement, and portfolio turnover.

It is the Trustees' responsibility to ensure that the managers' investment approaches are consistent with their policies before any new appointment, and to monitor and to consider terminating any arrangements that appear to be investing contrary to those policies. The Trustees expect investment managers to make decisions based on assessments of the longer term performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). The Trustees assess this when selecting and monitoring managers.

The Trustees evaluate investment manager performance over both shorter and longer term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will depend on strategic considerations and the outlook for future performance. If a manager is not meeting its performance objectives, the Trustees will consider alternative arrangements.

The Trustees' policy is to evaluate each of their investment managers by considering performance, the role it plays in helping to meet the Trustees' overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager's remuneration, and the value for money it provides, is assessed in light of these considerations.

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 including:

- *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.

Investment Management Monitoring

The Trustees will receive quarterly reports from LCP 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.

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.

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.

Voting and Engagement

The Trustees recognise their responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

The Trustees have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG factors.

The Trustees do not monitor or engage directly with issuers or other holders of debt or equity, but they do engage with current and prospective investment managers on matters including ESG and stewardship. The Trustees expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with their policies on stewardship, considering the long-term financial interests of the beneficiaries. They also expect the managers to communicate their policies on stewardship from time to time and provide them with reporting on the results of their engagement and voting activities regularly and at least once a year.

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 and adopted at a meeting on 16 March 2022.

Name:	Karein Davie (representing Clarity Trustees Limited)
Position:	Trustee Chair
	Capper & Co Ltd Pension and Assurance Scheme
Date:	16 March 2022