Kurt Salmon Associates Limited Retirement Benefits Scheme

Statement of Investment Principles

September 2020

1. Introduction

The Trustee of The Kurt Salmon Associates Limited Retirement Benefits Scheme Scheme ("the Scheme") has drawn up this revised Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995 ("the Act"), amended by Section 244 of the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005. The Statement is intended to reaffirm the investment principles that govern decisions about the Scheme's investments.

The Trustee continues to seek to maintain a good working relationship with the Sponsoring Company and will discuss any proposed changes to the Statement with the Sponsoring Company. However the Trustee's fiduciary obligation is to the Scheme's members and this takes precedence over the Sponsoring Company's wishes.

The Trustees will review this Statement on a regular basis, and will also do so in response to any material changes to the investment arrangements of the Scheme. Formal reviews will be undertaken no less frequently than every 3 years to coincide with the Actuarial Valuations.

The Trustees confirm that this SIP reflects the investment strategy they have implemented for the Scheme and acknowledge that it is their responsibility, with guidance from their Advisers, to ensure that the assets of the Scheme are invested in accordance with these principles.

2.1 Funding Objective

The primary purpose of the Scheme is to provide benefits to Members on their retirement or death on a defined contribution basis, as set out in the Trust Deed and Rules.

Members are entitled to individual defined benefit promises and underpins designed to satisfy the contracting out legislation.

2.2 Investment objectives

The Trustee's objectives with regard to investing Scheme assets are to provide the members with access to a diverse range of investment types to allow

The Trustee has taken into consideration that:

- Members' benefits are maximised by achieving maximum investment returns.
- Individual Member's financial profiles and attitudes to risk may vary.
- The benefits include a defined benefit underpin.

The Scheme's investment strategy is kept under regular review.

The Trustee will set general investment policy, but will delegate the selection of specific investments to appointed investment managers. The investment managers will provide the skill and expertise necessary to manage the investment of the Scheme competently.

2.3 Investment strategy

The Trustee's objectives with regard to investing Scheme assets are to provide the members with access to a diverse range of investment types to allow the members to select an investment strategy that suits their financial profile and attitudes to risk.

The members are able to invest in the following funds;

AVIVA Property Fund
LGIM Global Equity (50:50) Index
LGIM UK Equity Index
LGIM World (ex UK) Equity Index
LGIM AAA-AA-A Bonds All Stocks Index
LGIM All Stocks Index-Linked Gilts Index
Cash

All but the AVIVA Property Fund are index trackers which aim to track an appropriate index which allows the member to access the different asset classes in a cost effective way and without needing to consider the performance of the active manager.

The Scheme does not provide a default option, instead, allowing members to choose their own investment strategy which they can change over time as their circumstances change.

Where the Scheme holds assets which are unallocated to members these are invested in a combination of cash and an AVIVA Corporate Bond Fund. These funds are used to manage short term cashflow requirements (including, where appropriate, payment of expenses) and payment of any shortfall in respect of the final salary underpin (where this is not met by the Employer).

The allocation to the corporate bond fund aims to provide some protection against changes in interest rates (which will impact on the cost of providing the underpin) whilst aiming to provide some out-performance over the long term through it’s exposure to corporate bonds.

2.4 Fees

The annual management charges for each fund are as follows;

AVIVA Property Fund:	0.70%
AVIVA Corporate Bond Fund:	0.30%
LGIM Global Equity (50:50) Index:	0.17%
LGIM UK Equity Index:	0.10%
LGIM World (ex UK) Index:	0.22%
LGIM AAA-AA-A Bonds All Stocks Index:	0.10%
LGIM All Stocks Index-Linked Gilts Index:	0.10%
Cash:	0.13%

The member will also meet any transaction costs which are built into the pricing of each fund.

The Scheme meets all other expenses.

2.5 Compliance with this statement

The Trustee monitors compliance with this Statement annually and obtains written confirmation from the investment mangers that they have given effect to the investment principles in this Statement so far as reasonably practicable and that in exercising any discretion the investment managers have done so in accordance with Section 4 of The Occupational Pension Schemes (Investment) Regulations 2005.

2.6 Review of this statement

The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

2.8 Corporate Governance

The Trustee accepts that by using pooled investment vehicles for its investments, the day-today selection of stocks within the funds chosen will be undertaken by the fund managers.

The Trustee expects appropriate due diligence to be exercised in the context of this function

2.9 Environmental, Social and Governance Issues

The Trustees believe that good stewardship and environmental, social and governance ("ESG") issues may have a financially material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognises that long-term sustainability issues, particularly climate change, present risks and potential opportunities that increasingly may require explicit consideration.

The Trustees have given the pooled fund managers full discretion when evaluating ESG issues, including climate change considerations, exercising voting rights and stewardship obligations attached to the Scheme's investments. The Trustees expect managers to have integrated ESG into their risk analysis and investment process. Similarly, the Scheme's voting rights are exercised by its investment managers in accordance with their own corporate governance policies, and taking account of current best practice including the UK Corporate Governance Code and the UK Stewardship Code.

The Scheme's investment advisors will keep the Trustees informed on ESG issues. The Trustees consider how ESG, climate change and stewardship is integrated within investment processes when appointing new managers and the Trustees monitor their existing managers' ESG approach on a periodic basis, and discuss ESG considerations as part of ongoing reviews.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest through pooled funds. They acknowledge that they cannot directly influence the social, environmental and ethical policies and practices of the companies in which the pooled funds invest.

In principle, the Trustees support the stated policies of their investment managers, which are:

- not to constrain their investment capabilities unless they are satisfied that the potential returns outweigh any additional risk; and
- to encourage the companies in which they invest to adopt and pursue socially responsible business practices that conform with industry best practice.

The Trustee has delegated their voting rights and other such powers to the investment managers, the sole purpose of whose corporate governance policies are to protect and enhance the economic interests of clients.

2.10 Non-Financial Matters

Non-financial matters are not taken into account when determining the Scheme's investment policy. Member views are not actively sought but the Trustees make a copy of the Statement of Investment Principles available to members on request and publish a copy of the Statement on a publicly accessible website.

2.11 Day-to-Day Management of the Assets

The Trustee has a policy of delegating all day-to-day powers of investment to the investment managers who are authorised and regulated under the Financial Services and Markets Act 2000.

The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled vehicles. The assets are fully and readily realisable. The investment in any particular pooled fund managers does not have a fixed term but can be terminated in the event of consistent underperformance or misalignment with the Trustees' objectives.

The Trustee in conjunction with their advisors will review the funds periodically and make changes as considered appropriate.

2.12 Incentivising Investment Managers

As investments are made in pooled funds with defined charges and expenses, it is not possible directly to incentivise fund managers to align investments with the Trustees' policies, improve engagement or monitor transaction costs. Ultimately, the Trustees only remedy is likely to be to move to an alternative pooled fund.

2.13 Monitoring of Investment Managers and their Performance

The majority of the investments are invested in index trackers and their performance is assessed against the appropriate index. Those funds that are not invested in index trackers are assessed against an appropriate index. The Trustees received monthly investment summaries and quarterly reports.

These are formally discussed as part of each Trustee meeting.

The nature of the Scheme's investments makes it impractical for the Trustees to monitor turnover or turnover costs directly. The performance figures that the Trustees and their investment consultant analyse are net of transactions costs, so this is taken into account indirectly.

2.14 Risks

The Trustees appreciate that the most important aspect of the security of the members' benefits is the continued support of the scheme sponsor. Events that reduce the sponsor's willingness or ability to support the Scheme are the biggest potential threats from the members' perspective. The Trustees will discuss developments in the sponsor's business with the sponsor at least annually and update their assessment of the strength of the employer covenant if necessary.

The Trustees have identified the following further risks and set out below how they will manage them:

- **Underperformance risk** – the risk of underperforming the benchmarks and objectives set by the Trustees. This risk is minimised by regular monitoring of investment managers' performance against appropriate benchmarks and investing, where possible, in index trackers

- **Other Investment Manager risks** – these risks include the risk of unsuitable investment activity, the risk of income from assets not being paid when promised, counterparty risks (for example to the extent that managers have hedged out foreign exchange risks in their portfolios) and the risk of inadequate internal processes at managers, including ensuring secure custody arrangements.

  The Trustees have reviewed the internal control procedures of the investment managers who are both large insurance companies with proven governance.

- **Country risk** – the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.

- **Concentration risk** – the risk of an adverse influence on investment values from the concentration of holdings is reduced by the diversification of the assets.

- **Cash flow risk** – addressed by the Trustees regularly monitoring the cash flow requirements of the Scheme to control the timing of any disinvestment of assets.

2.15 Disclosure

Members are provided with information on their investments as part of their annual benefit statement.

A copy of this Statement of Investment Principles and other documents such as actuarial valuation reports, the schedule of contributions and the annual report and accounts are available to members on request.