The Morris & Spottiswood Limited Pension Scheme

Statement of Investment Principles ("SIP")

Adopted with effect from: December 2020

Introduction

This SIP has been prepared by the Trustees of The Morris & Spottiswood Limited Pension Scheme (the "Scheme"). This statement sets out the principles governing the Trustees' decisions to invest the assets of the Scheme.

It has been prepared in accordance with applicable legislation, taking account guidance from The Pensions Regulator and the written advice of an independent investment adviser.

Before revising the SIP, the Trustees obtained and considered written advice from their investment advisers and consulted with the sponsoring employer. The Trustees believe their investment advisor is qualified by its ability and practical experience of financial matters and has appropriate knowledge and experience of the investment arrangements that the Scheme requires.

The Trustees review this SIP at least every three years; and without delay after any significant change in investment policy or the circumstances of the Scheme.

Governance

The Trustees are responsible for investing the Scheme's assets in the best interests of the members and beneficiaries and it exercises its powers of investment in accordance with the trust deed and rules of the Scheme and applicable law.

The Trustees of the Scheme are responsible for the selection and monitoring of investment options which are made available to members through the Scheme. The Scheme provides investment options through an insurance policy with Prudential, the investment platform provider, and through which different investment managers and funds can be accessed. Day to day management of the assets is carried out by the investment managers appointed under section 36 of the Pensions Act 1995 and authorised under the Financial Services and Markets Act 2000 (the "Investment Managers")

The Trustees are satisfied that its Investment Managers have the appropriate knowledge and experience for managing the investments of the Scheme and they carry out their role in accordance with the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this SIP.

Before investing in any manner, the Trustees obtain "section 36 advice" on whether the investment is satisfactory having regard to suitability of the investment and its investment principles set out in this SIP.

Objectives

The overall objective of the Scheme is to provide a range of funds in which members can invest their contributions, which deliver growth over the lifetime of their policy without taking excessive risk, enabling members to make financial plans and secure benefits for the period after their retirement.

The Scheme's investment strategy is derived from the Trustees' investment beliefs. The beliefs have been considered at all stages of planning, implementation, and monitoring of the investment strategy and are as follows.

- Members have changing needs as they progress towards retirement and the design of the default strategy and fund range should reflect this
- Younger members typically have a greater need for real growth to attempt to ensure their savings keep pace with inflation.
- Younger members will also, all else being equal, have a greater tolerance for volatility of returns, as they have a greater time to retirement over which to recover any losses.
- For older members, capital preservation and how they expect to take their benefits in retirement becomes more important.
- Diversification is the key tool for managing risk

Investment strategy

The Trustees have adopted the following approach:

- To offer a diverse range of pooled fund options enables members to invest in line with their personal circumstances and attitudes to risk.
- To have a default investment strategy appropriate for members who do not wish to make their own choices about investment of their pension assets.

The default strategy is the Prudential Dynamic Growth IV Lifestyle 'targeting retirement options' lifestyle which has been designed for those that want a lifestyle option, but are not sure how they might want to access their pension savings when they take their benefits. The strategy initially targets growth in the early years by investing in equities and other assets which have a high expected return, but higher expected risk. The strategy then switches gradually approaching retirement into assets such as bonds and equities, which together provide less volatility but still some growth to preserve wealth. Details of the default strategy are shown in Appendix A.

The Trustees wish to give each member a reasonable degree of freedom over the choice of investment funds for the accumulation of their savings based on their own individual circumstance and expected investment time-horizon. Therefore, the Trustees, having taken appropriate advice, have also made a range of pooled funds available across a diverse range of asset classes such as equities, bonds, and money market investments/cash.

The Trustees also make available alternative lifestyle strategies with different investment strategies suitable for members depending on how they wish to use their savings at retirement.

- The 'targeting 100% cash' lifestyle has been designed for those members intending to take their pension as a single or series of cash lump sums.
- The 'targeting drawdown' lifestyle which has been designed for those intending to keep their pension fund invested after retirement. Funding their retirement from either: the income generated from this investment or capital withdrawals during retirement.

- The 'targeting an annuity' lifestyle has been designed for those intending to buy an annuity at retirement.

The Trustees will review both the default strategy, the performance of the default arrangement and the fund range on a regular basis to ensure their continued suitability. This will be at least every three years or without delay after a significant change to the membership demographic or investment policy.

Investment management arrangements

The Scheme provides investment options through an insurance policy with Prudential, investment platform provider and through which different investment managers and a range of pooled funds can be accessed. The Trustees recognise that derivatives play an important part in risk reduction and efficient portfolio management, and will be used within pooled funds. The selected pooled funds are managed by the underlying investment managers, M&G Investments and BlackRock Investment Management.

The day-to-day management of the assets are carried out by the underlying investment managers. This includes decisions about:

- Selection, retention, and realisation of investments, including considering 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.

As the Scheme's assets invest in units of the pooled funds the custody of the underlying holdings is arranged by the underlying investment manager.

Investment Manager monitoring and engagement

The Trustees monitor and engage with the Scheme's provider, investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustees seek to engage on these matters with investment managers.

Areas for engagement	**Method for monitoring and engagement**	**Circumstances for additional monitoring and engagement**
Performance, Strategy and Risk	• The Trustees receive regular performance reports which details information on the underlying fund performance, with additional focus on the risk and returns of the default strategy funds, at the relevant Trustee meeting.	• There are significant changes made to the investment strategy of any of the Scheme's funds. • The risk levels within any of the Scheme's funds have increased to a level above and beyond the Trustees' expectations. • Underperformance of any of the Scheme's funds vs the performance objective over the period that this objective applies.

Environmental, Social, Corporate Governance factors and the exercising of rights	• The Trustees request their investment managers provide annual reports on how they have engaged with issuers regarding social, environmental, and corporate governance issues.	• The manager has not acted in accordance with their policies and frameworks. • The manager's policies are not in line with the Trustees' policies in this area.

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

Expected return on assets

The Trustees expect that an authorised Independent Financial Advisor will consider and explain the historical and expected rates of return earned on the various classes of asset available for investment, along with the inherent risks and levels of fund charges, when advising individual members.

Performance measurement

A set of measurable performance objectives has been developed for the unitised funds. Performance for each fund is compared with a suitable benchmark and an out-performance objective. The managers (particularly those with an active mandate) are expected to demonstrate skill in the management of their portfolios consistent with the performance objectives, given the levels of risks adopted.

Realisation of investments

The assets of each member are held in unitised investment funds that can be realised to provide pension benefits on retirement, or earlier if required. In selecting assets, the Trustees and Investment Managers consider the liquidity of the investments in the context of the likely needs of members.

The Trustees are aware of the importance of fund liquidity and the risk that core financial transactions, such as investing members' contributions, are not processed promptly due to lack of liquidity in the investments. The Trustees' preference is for investments that are readily realisable but recognises that achieving a well-diversified portfolio may mean holding some investments that are less liquid (for example, property).

Rate of contribution

The assets that will ultimately accumulate in each members account depend critically on the rate of contribution that each member decides to pay. The Trustees draw this fact to the attention of the members in the communications material issued to them.

Fund charges

Each member will pay fund charges directly within the fund in which they choose to invest. The level of fund charges a member pays will depend on the specific funds in which they invest. The Trustees ensure that the charges are competitive and makes members aware that these can be found from the Prudential Fund guide on the Prudential website (www.pru.co.uk).

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. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

Signed: Paul Brown

Date: 15/12/2020

Appendix A – Default investment option

The chart below shows how the default investment option invests as members approach retirement:

The aim of the current default strategy is to provide stable growth in the early years with a focus on wealth preservation in later years as a member begins to approach their retirement date.

Appendix B – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations have been considered by the Trustees and summarised below. The investments offered through the Scheme have been chosen, in part, to help members mitigate these risks through appropriate fund selection.

Risk	Definition	Policy
Interest rates	The potential for adverse interest rate movements to have an impact on the Scheme's bond investments.	Members are offered a range of funds to invest in and the default invests in a diverse range of assets to mitigate this risk.
Inflation	The potential that the Scheme's investments will not keep pace with inflation.	The Scheme offers funds which are expected to outperform inflation, including the default.
Liquidity	The potential that investments cannot be encashed when required.	The funds offered through the Scheme invest predominantly in assets which are readily redeemable in normal circumstances at reasonable prices.
Market	The potential for losses due to factors that affect the overall performance of financial markets.	Members are offered a range of funds to invest in and the default invests in a diverse range of assets to mitigate this risk. The Trustees are aware that in falling markets members may suffer losses.
Credit	The potential for losses due to a holding in a bond fund defaulting on their obligations.	The Scheme's bond funds invest in a range of bonds to minimise the impact of any default.
Shortfall / pension conversion risk	The potential that a member has not saved sufficiently for retirement, or suffers an investment loss close to retirement leading to a pension shortfall	The Scheme's default and alternative lifestyle options automatically de-risk members as they approach retirement and allow them to target specific retirement outcomes.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	The funds which the Scheme invest in are Sterling denominated, however, members will still be exposed to currency risk where assets are held overseas on an unhedged basis. This is managed by communicating with members whose funds invest overseas.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who account for ESG factors as part of their investment process. The Trustees monitor the managers in this regard on an ongoing basis.
Non-financially material matters	Any factor that is not expected to have a financial	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

	impact on the Scheme's investments.	

Appendix C

The Trustees have 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 Trustees policies.	• As the Scheme offers members pooled funds, the Trustees have limited influence over the underlying fund managers, but they encourage them to improve their practices where appropriate. • There may be circumstances where 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 and equity issuers, engagement, and portfolio turnover.
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 Trustees review fund performance relative to their objectives on an annual basis. • The Trustees monitor the investment managers' engagement and voting activity on an annual basis as part of their ESG monitoring process. • The Trustees do 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 Trustees policies.	• The Trustees review the performance of all the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. • The Trustees evaluate fund performance over a range of both shorter-term and longer-term periods. • Fund charges are reviewed annually to ensure these represent value for members.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	• The Trustees monitor turnover costs as part of the annual Chair's Statement in the Trustee Report & Accounts.
The duration of the Scheme's arrangements with the investment managers	• The duration of the arrangements are flexible and the Trustees will from time-to-time consider the appropriateness of the funds and whether they should continue to be offered.