Atlas Ward Pension Scheme

Statement of Investment Principles ("SIP")

Purpose of this Statement

This SIP has been prepared by the Trustees of the Atlas Ward Pension Scheme (the "Scheme"). This statement sets out the principles governing the Trustees' decisions to invest the assets of the Scheme.

The Trustees have also taken the Myners Principles into consideration when making decisions about the Scheme's investment arrangements.

Details on the Scheme's investment arrangements are set out in the Investment Implementation Document ("IID").

Update to this Statement

The Trustees reviewed the investment strategy in conjunction with the April 2023 triennial Actuarial Valuation following the period of heightened volatility over 2022 and into 2023. As a result, a new strategic benchmark was agreed upon in October 2023, and the Statement of Investment Principles (SIP) was updated accordingly. In Q4 2024, the Trustees assessed the efficiency of the Scheme's portfolio and agreed to invest funds held in the Sterling Liquidity Fund into an Asset-Backed Securities mandate, which offers a higher expected return with similar liquidity characteristics. This investment was implemented in December 2024, prompting an update to the SIP to reflect the change in strategic asset allocation.

Investment objectives

The Trustees invest the assets of the Scheme with the aim of ensuring that all members' accrued benefits can be paid. The Scheme's funding target is specified in the Statement of Funding Principles. The Scheme's funding position will be reviewed on an ongoing basis to assess the position relative to the funding target and whether the investment arrangements remain appropriate to the Scheme's circumstances.

The Scheme's present investment objective is to achieve a return of around 1.8% per annum above the return on UK Government bonds, which are considered to move in line with the calculated present value of the Scheme's liabilities.

Investment strategy

The Scheme's investment strategy was derived following careful consideration of the nature and duration of the Scheme's liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios), and also the strength of the sponsoring company's covenant. The Trustees considered the merits of a range of asset classes.

The Trustees will monitor the assets and invest according to the long-term Investment Strategy which follows the broad exposures:

Asset Class	Long-Term Strategic Asset Allocation
Equity	10.0%
Multi-Asset Credit	15.0%
Liability Driven Investing Funds ("LDI") and Cash[2]	35.0%
Absolute Return Bonds	10.0%
Asset-Backed Securities	10.0%
Property	10.0%
Diversified Growth	10.0%
Total	**100.0%**

Note: [1] Investment Advisers long-term best estimate assumptions which were used when setting this investment strategy, net of investment management fees, calculated on an arithmetic basis.[2]Economic exposure may be greater due to leverage. Totals may not sum due to rounding. The Scheme's actual asset allocation may deviate from the table due to market movements, active management of the portfolio, and drawdown and distributions from certain mandates.

The Trustees recognise that the investment strategy is subject to risk, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. The risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities.

The Trustees have also considered a number of other risks set out in Appendix A.

The Trustees have also implemented a new LDI strategy following a review of the Scheme's LDI portfolio in 2023. The new target hedge ratio of the Scheme is c.60% of the PV01 (a measure of sensitivity to changes in interest rates) and c.60% of the IE01 (a measure of sensitivity to changes in inflation expectations) of the Scheme's liabilities on a Technical Provisions basis. The Scheme's asset allocation to LDI will change over time due to market movements, but it is not appropriate to rebalance back to the initial allocation as doing so would change the hedge ratio. Therefore, the Trustees have not set control ranges for the LDI allocation. The Scheme's allocation to the US Securitised Credit Fund and Absolute Return Bond Fund are used as the initial collateral pool for the LDI mandate. The Trustees will monitor the allocation to this Fund relative to the size of the LDI to ensure a sufficient collateral buffer remains. The Trustees have therefore also not adopted control ranges for these funds.

Leverage and Collateral management

The Trustees aim to adhere to all relevant regulatory guidance and requirements in relation to leverage and collateral management within the Scheme's liability hedging (LDI) portfolio.

The Trustees have a stated collateral management framework in place with Legal and General Investment Management. The Trustees have agreed a process for meeting collateral calls, should these be made by the Scheme's LDI manager. The Trustees will review and stress test this framework on a regular basis.

Further details on this can be found within the Scheme's Investment Implementation Documentation ("IID").

Investment Management Arrangements

The Trustees have appointed several investment managers to manage the assets of the Scheme as listed in the IID. The investment managers are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the investment managers via a written agreement. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account 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

The Trustees take investment managers' policies into account when selecting and monitoring managers. The Trustees also take into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise their powers of investment with a view to giving effect to the principles contained within this statement, so far as reasonably practicable.

The investment managers' remuneration is based upon a percentage value of the assets under management. The fees have been negotiated to be competitive and are reviewed on an ongoing basis.

As the Scheme's assets are invested in pooled vehicles, the custody of the holdings are arranged by the investment managers.

Investment Manager Monitoring and Engagement

The Trustees monitor and engage with the Scheme's 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 will receive six monthly quarterly performance reports which details information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant Trustee meeting. • Where appropriate, the Scheme's investment managers are invited, in person, to present to the Trustees on their performance, strategy and risk exposures.	• There are significant changes made to the investment strategy. • The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustees' expectations. • Underperformance vs the performance objective over the period that this objective applies.
Environmental, Social, Corporate Governance factors and the exercising of rights	• The Trustees will be provided with example summaries of existing manager engagement with Environmental, Social and Corporate Governance factors which will be reviewed on an ongoing basis. • The Trustees will engage, via their investment adviser, with investment managers and/or other relevant persons about relevant matters.	• The manager has not acted in accordance with their policies and frameworks.

Through the engagement described above, the Trustees, where appropriate, will work with the 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.

The Trustees will consider the views of the members of the Scheme when making investment policy decisions if it deems these are appropriate.

Employer-related investments

The policy of the Trustees is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Scheme invests in collective investment schemes that may hold employer-related investments. In this case, the total exposure to employer-related investments will not exceed 5% of the Scheme's total value. The Trustees will monitor this on an ongoing basis to ensure compliance.

Additional Voluntary Contributions (AVCs)

Members of the Scheme can invest AVCs in a with-profits insurance policy issued by Scottish Widows.

Direct investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustees will obtain appropriate written advice from their investment advisers.

Governance

The Trustees of the Scheme make all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of investment managers.

When making such decisions, and when appropriate, the Trustees take proper written advice. The Trustees' investment advisers, Isio Group Limited, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience. The investment adviser's remuneration may be a fixed fee or based on time worked, as negotiated by the Trustees in the interests of obtaining best value for the Scheme.

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. Before preparing or subsequently revising this Statement, the Trustees consulted the sponsoring company and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

Signed: ***Trustees of the Atlas Ward Pension Scheme***

Date: ***March 2025***

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

A non-exhaustive list of risks and financially material considerations that the Trustees have considered and sought to manage is shown below.

The Trustees adopt an integrated risk management approach to managing these risks over the long term. The three key risks associated within this framework and how they are managed are stated below:

Risks	Definition	Policy
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	• Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength. • Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	• Funding risk is considered as part of the investment strategy review and the actuarial valuation. • The Trustees will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	• When developing the Scheme's investment and funding objectives, the Trustees take account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support.

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	The Trustees aim to hedge this risk where it is deemed appropriate and affordable.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI mandate.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified to avoid over-reliance on any one asset class.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.
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 acknowledge Environmental, Social and Governance factors when appointing new mandates and when monitoring existing mandates.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	To largely invest in GBP share classes where possible to eliminate direct currency risk. To largely invest with managers that hedge exposure to foreign currency risk in underlying holdings, except where active currency positions are held.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters, such as reputational risks, are taken into account in the selection, retention and realisation of investments where it is deemed appropriate.

Appendix B – Manager Incentivisation

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 Trustee's policies.	• As the Scheme is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustee's policies. However, the Trustees invest in a portfolio of pooled funds that are aligned to the strategic objective.
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 the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. • The Trustees monitor the investment managers' engagement and voting activity on a regular 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 Trustee's policies.	• The Trustees review the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. • The Trustees evaluate performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years. • Investment manager fees are reviewed over time to ensure that they remain competitive.
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 do not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
The duration of the Scheme's arrangements with the investment managers	The duration of the arrangements is considered in the context of the type of fund the Scheme invests in. • For open ended funds, the duration is flexible and the Trustees will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.
Voting Policy – How the Trustees expect investment managers to vote on their behalf	• The Trustees have acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.

Engagement Policy – How the Trustees will engage with investment managers about 'relevant matters'	• The Trustees have acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf.