

Ecovert Pension Scheme
Statement of Investment Principles ("SIP")

Purpose of this Statement

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

The Scheme's investment strategy is derived from the Trustee's investment objectives as detailed below. The objectives have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

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

The Scheme comprises two sections: one providing defined benefits ("Defined Benefit Section") and the other providing a defined contribution scheme ("Defined Contribution Section"). There is no cross-subsidy between the different sections. This statement is for both the Defined Benefit Section and the Defined Contribution Section of the Scheme.

Governance

The Trustee of the Scheme makes 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 Trustee takes proper written advice. The Trustee's investment advisers, KPMG LLP, are qualified by their ability in, and practical experience of, financial matters, and have the appropriate knowledge and experience. The investment advisers' remuneration may be a fixed fee or based on time worked, as negotiated by the Trustee in the interests of obtaining best value for the Scheme.

Defined Benefit Section

Investment objectives

The Trustee invests the assets of the Scheme with the aim of ensuring that all members' current and future benefits can be paid. 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 funding target is specified in the Statement of Funding Principles

The Scheme's present investment objective is to invest in a blend of fixed-interest and index-linked UK Government bonds, in order to best replicate the expected movement in the Scheme's liabilities due to changes in interest rates and inflation.

Investment strategy

The Scheme's investment strategy was derived following careful consideration of the factors set out in Appendix A. The considerations include the nature and duration of the Scheme's

liabilities, the risks of investing in various asset classes, the implications of the strategy (under various scenarios) for the level of employer contributions that are required to fund the Scheme, and also the strength of the sponsoring company's covenant. The Trustee considered the merits and de-merits of a range of asset classes.

The Trustee recognises 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 assessing the funding position and the characteristics of the assets and liabilities. This risk is managed by investing in assets which are expected to perform in a similar way to the movement in the liabilities, with the aim of minimising (as far as possible) volatility relative to the liabilities.

The assets of the Scheme consist of investments which are traded on regulated markets.

Investment Management Arrangements

The Trustee has appointed 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 Trustee takes investment managers' policies into account when selecting and monitoring managers. The Trustee also takes into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise powers of investment delegated to them, with a view to following the principles contained within this statement, so far as is reasonably practicable.

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

Investment Manager Monitoring and Engagement

The Trustee monitors 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 Trustee seeks 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	<ul style="list-style-type: none"> • The Trustee receives regular performance reports which details information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant Trustee meeting. • The Scheme's investment managers are invited, in person, to present to the Trustee on their performance, strategy and risk exposures. 	<ul style="list-style-type: none"> • 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 Trustee's expectations. • Underperformance vs the performance objective over the period that this objective applies.
Environmental, Social, Corporate Governance factors and the exercising of rights	<ul style="list-style-type: none"> • The Trustee's investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues. • The Trustee receive information from their investment advisers on the investment managers' approaches to engagement. 	<ul style="list-style-type: none"> • The manager has not acted in accordance with their policies and frameworks. • The manager's policies are not in line with the Trustee's policies in this area.

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

Defined Contribution Section

Investment Objectives

The Trustee's primary objectives are:

- "asset choice" to ensure members have an appropriate choice of assets for investment; and
- "return objective" to enable members to benefit from investment in "growth" assets until they approach retirement, when they will be switched to assets with less risk yet seeking to deliver investment returns broadly in line with inflation.

Over the long-term the Trustee's expectations are:

- for units representing "growth" assets (UK and overseas equities, property), to achieve a return which keeps pace with the increase in national average earnings

over the same period. The Trustee considers short-term volatility in equity prices to be acceptable, given the general expectation that over the long-term these assets will outperform the other asset classes.

Returns achieved by the fund manager are assessed against performance benchmarks set by the Trustee in consultation with their advisers and fund manager.

Investment Strategy

The Trustee has decided not to offer a range of investment options to members and this is deemed appropriate, given the nature of the membership. Instead it offers a single investment arrangement (which is also the default strategy) comprising four component funds (including an ethical fund) with an automatic de-risking measure applied over the 10 years prior to a member's target retirement date.

The Trustee retains the responsibility for the investment strategy and employs fund managers to invest the money in a range of securities. The objectives for each of the funds utilised by the Trustee are set out in the IID.

Day to day selection of stocks is delegated to the fund manager appointed by the Trustee. The Trustee takes professional advice when formally reviewing managers or funds offered to members.

The Trustee recognises that the key source of financial risk (in relation to meeting its objectives) normally arises from the asset allocation implemented on behalf of members of the Defined Contribution Section. They therefore retain responsibility for choosing the funds used and take expert advice as required from their professional advisers.

The types of investments held and the balance between them is deemed appropriate given the need to maximise returns whilst at the same time using pension monies to purchase defined contribution benefits and pay out cash sums on members' retirement or earlier death.

The Trustee reviews the investment strategy of the Defined Contribution Section from time to time to ensure that it remains appropriate to members' needs. The Trustee, with their investment consultant (KPMG LLP) reviewed the ongoing suitability of the DC investment options in 2019.

Default Strategy

The pension accounts held in respect of members of the Defined Contribution Section are automatically lifestyled over the ten year period to a member's retirement. Details of this are set out in the IID.

Financially Material Considerations and Stewardship Policy

The Trustee has considered how financial material considerations, including Environmental, Social and Governance (ESG) factors (which include climate change), are taken into account in the selection, retention, realisation and monitoring of the Scheme's investment option over the appropriate time horizon.

As the Scheme invests via pooled funds, this means that the Trustee has delegated responsibility for the selection, retention and realisation of investments to the underlying fund

managers of those funds (within certain guidelines and restrictions) and the Trustee's approach to managing financially material considerations is limited by the nature of those pooled funds.

- For passively managed funds, the Trustee recognises that the role of the manager is to track an index and the choice of index will dictate the assets held. The Trustee will periodically review the indices used for this purpose.
- For actively managed funds (where the fund manager decides where to invest) fund managers are expected to take financially material considerations into account when deciding on the selection, retention and realisation of investments where permissible within the applicable guidelines and instructions.

The Trustee also delegates the exercise of the rights (including voting rights) attaching to the investments to the individual fund managers. Fund managers are expected to:

- Exercise the voting rights attached to individual investments; and
- Engage with key stakeholders which may include corporate management, regulators and governance bodies, relating to their investments in order to improve corporate behaviours, improve performance and mitigate financial risks

The Trustee believes that by taking an active approach to include ESG factors in investment decision making, it will reduce overall investment risks whilst generating sustainable investment returns.

The Scheme's investments will be regularly monitored by the Trustee with assistance of its specialist independent investment adviser over an appropriate time horizon, to consider the extent to which the investment strategy and decisions of the Scheme's fund managers are aligned with the Trustee's policies. This includes monitoring the extent to which fund managers:

- Make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- Engage with issuers of debt or equity in order to improve their performance in the medium-to long-term.

The Trustee will also monitor portfolio turnover costs incurred by fund managers on a regular basis.

Fund managers are remunerated based on the value of assets which they manage for the Scheme and while there is no set duration for arrangements with fund managers, they can be replaced at any time by the Trustee. Where fund managers fail to adhere to the Scheme's policies, the Trustee will engage with the manager and could ultimately replace the manager where this is deemed necessary.

The Trustee does not take in to account any non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than consideration of financial risk and return) in setting the investment strategy for the Scheme's DC investment arrangement.

The Trustee continues to engage with Legal & General Investment Managers as the provider on the integration of ESG into the Scheme's investments and how this can be improved, although it is noted that currently the level of ESG integration is limited.

Additional Voluntary Contributions ("AVCs") Arrangements

Active members of the DC section of the Scheme may obtain further benefits by paying AVCs to the Scheme. The liabilities in respect of these AVC's are equal to the value of the investments bought by the contributions. The AVC option for new contributions is the same as the DC investment arrangement noted above. There are two legacy AVC policies, one with Aviva and one with Equitable Life.

From time to time the Trustee reviews the choice of investments available to members to ensure that they remain appropriate to the members' needs.

Employer-related investments

The policy of the Trustee 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 asset value. The Trustee will monitor this on an ongoing basis to ensure compliance.

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 Trustee will obtain appropriate written advice from their investment advisers.

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 Trustee 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:

Signed:

Date:.....

16.10.2019.

Appendix B

The Trustee has the following policies in relation to the investment management arrangements for the Scheme:

<p>How the investment managers are incentivised to align their investment strategy and decisions with the Trustee policies.</p>	<ul style="list-style-type: none"> • 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 policies. However, the Trustee invests in a portfolio of pooled funds that are aligned to the strategic objective.
<p>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.</p>	<ul style="list-style-type: none"> • The Trustee reviews the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. • The Trustee monitors the investment managers' engagement and voting activity on an annual basis as part of their ESG monitoring process. • The Trustee does not incentivise the investment managers to make decisions based on non-financial performance.
<p>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 policies.</p>	<ul style="list-style-type: none"> • The Trustee reviews 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 Trustee evaluates performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years. • Investment manager fees are reviewed annually to make sure the correct amounts have been charged and that they remain competitive.
<p>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</p>	<ul style="list-style-type: none"> • The Trustee does not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
<p>The duration of the Scheme's arrangements with the investment managers</p>	<ul style="list-style-type: none"> • The duration of the arrangements is considered in the context of the type of fund the Scheme invests in. <ul style="list-style-type: none"> ○ For open ended funds, the duration is flexible and the Trustee will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.

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

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

The Trustee adopts an integrated risk management approach. 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.	<ul style="list-style-type: none"> Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	<ul style="list-style-type: none"> Funding risk is considered as part of the investment strategy review and the actuarial valuation. The Trustee will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate forward looking 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.	<ul style="list-style-type: none"> When developing the Scheme's investment and funding objectives, the Trustee takes account of the strength of the sponsoring company's 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.	To invest 100% of the Scheme's assets in UK Gilts
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).
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To safeguard against any unrewarded risks, where practicable.

Credit	Default on payments due as part of a financial security contract.	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 appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory The Trustee monitors the managers on an ongoing basis.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Hedge all currency risk on all assets that deliver a return through contractual income.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

The Ecovert Pension Scheme

Investment Implementation Document ("IID")

This Investment Implementation Document ("IID") covers the Ecovert Pension Scheme (the "Scheme") and details the policy of the Trustee relating to the implementation of the Scheme's investment arrangements, based on the Principles set out in the Scheme's Statement of Investment Principles ("SIP") dated: ...16.10.19.....

Defined Benefit Section

Asset Allocation Strategy

The Scheme's current investment strategy is invested according to the following broad asset allocation:

Manager	Asset Class	Fund Name	Proportion (%)	Expected Return (over Gilts) %
LGIM	Index-Linked Gilts	AP – Over 5y Index-Linked Gilts	65%	0.0%
LGIM	Fixed Interest Gilts	AA – All Stocks Gilts Index	35%	0.0%
Total			100%	

The expected returns shown in the above table represent long-term expectations of asset classes as a whole. Short-term returns in some asset classes may exhibit considerable variability.

Investment structure and mandates

The Trustee has invested in pooled funds managed by Legal & General Investment Management (LGIM). The investment manager is regulated under the Financial Services and Markets Act 2000 and authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Investment Manager	Proportion %
LGIM	100%
Total	100%

Mandate target returns, objectives and fees (p.a.)

Fund	Benchmark	Target	Fees (p.a.)
AP – Over 5y Index-Linked Gilts	FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index	Track Benchmark Index	0.100% for the first £5 million 0.075% for the next £10 million
AA – All Stocks Gilts Index	FTSE Actuaries UK Conventional Gilts All Stocks Index	Track Benchmark Index	0.100% for the first £5 million 0.075% for the next £10 million

Defined Contribution Section

The funds used by the Trustee for the investment of funds in the Defined Contribution section are set out in the table below:

Manager	Fund	Fees (p.a.)	Weights at 30 June 2019
LGIM	Multi-Asset (formerly Consensus) Fund (charges included)	0.25% pa	43%
LGIM	Ethical Global Equity Index Fund (charges included)	0.30% pa	31%
LGIM	Retirement Income Multi-Asset Fund (charges included)	0.35% pa	23%
LGIM	Cash Fund (charges included)	0.125% pa	3%

The objectives of the funds are set out below:

- **Multi-Asset (formerly Consensus):** The investment objective of the fund is to provide long-term investment growth through exposure to a diversified range of asset classes, excluding physical property.
- **Ethical Global Equity Index Fund:** The investment objective of the fund is to track the performance of the FTSE 4Good Developed Index (less withholding tax where applicable) to within +/-0.5% p.a. for two years out of three.
- **Retirement Income Multi-Asset Fund:** The investment objective of the fund is to provide long-term investment growth up to and during retirement, and to facilitate the drawdown of retirement income.
- **Cash Fund:** The fund aims to perform in line with 7 Day GBP LIBID, without incurring excessive risk.

The Trustee has installed a lifestyle matrix which applies automatically to all members of the Defined Contribution Section.

Between 10 years and retirement, a member's pot will be gradually switched into a wealth preservation fund and a cash fund so that at retirement date, a quarter of the pension pot will be in a cash fund and the rest in a wealth preservation fund. The wealth preservation fund is the Legal & General Retirement Income multi-asset fund.

Cash balances

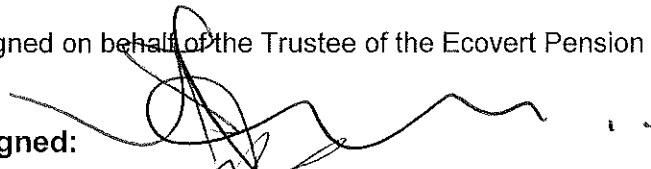
A working balance of cash is held for imminent payment of benefits and expenses in respect of the DB Section of the Plan. Under normal circumstances it is not the Trustee's intention to hold a significant cash balance and this is carefully monitored by the Scheme's administrator. The DC Section operates on a nil working balance of cash.

Additional Voluntary Contributions

The Trustee has made available the following range of investment options:

- With-profits fund managed by Aviva
- With-profits fund managed by The Equitable Life Assurance Company (closed to new investors)
- Contributions can be made to the Defined Contribution Section of the Scheme.

Signed on behalf of the Trustee of the Ecovert Pension Scheme.

Signed: 

Signed: 

Date: 16.10.2019

