XPS Investment

Statement of Investment Principles

Sims Group UK Combined Pension Scheme

June 2024

Contents

01 **Introduction**

Purpose

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 for the Sims Group UK Combined Pension Scheme ('the Scheme'). It describes the investment policy being pursued by the Trustee of the Scheme and is in accordance with the Government's voluntary code of conduct for Institutional Investment in the UK ("the Myners Principles") and The Pensions Regulator's Investment Guidance for defined benefit pension schemes. This Statement also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005 (as amended).

Scheme details

The exclusive purpose of the Scheme is to provide retirement and death benefits to eligible participants and beneficiaries. It qualifies as a registered pension scheme, registered under Chapter 2 of Part 4 of the Finance Act 2004.

Advice and consultation

Before preparing this Statement, the Trustee has sought advice from the Scheme's Investment Consultant, XPS Investment Limited. The Trustee has also consulted the Principal Employer. The Trustee will consult the Principal Employer on any future changes in investment policy as set out in this Statement.

Investment powers

The Scheme's Trust Deed and Rules set out the investment powers of the Trustee. This Statement is consistent with those powers. The Trustee seeks to maintain a strong relationship with the Principal Employer but acknowledges that in the case of a conflict of interests between members of the Scheme and the Principal Employer, the Trustee's fiduciary duty is to act solely in the best interest of the Scheme's members.

In accordance with the Financial Services and Markets Act 2000, the Trustee sets general investment policy but delegate responsibility for the selection of the specific securities and any financial instruments in which the Scheme invests to the Investment Managers.

Review of the Statement

The Trustee will review this Statement and its investment policy at least every three years in conjunction with each triennial valuation or immediately following any significant changes in investment policy.

The Trustee will also review this Statement in response to any material changes to any aspect of the Scheme, its liabilities, finances and attitude to risk of either the Trustee or Principal Employer which it judges to have a bearing on the stated investment policy.

The Trustee will receive confirmation of the continued appropriateness of this Statement annually, or more frequently, if appropriate.

Definitions

Capitalised terms in this document mean the following:

Act - The Pensions Act 1995 (as amended by section 244 of the Pensions Act 2004);

AVCs - Additional Voluntary Contributions;

Investment Consultant – XPS Investment, part of XPS Pensions Group;

ESG – Environmental, Social and corporate Governance issues concerning the Scheme's investments;

Investment Manager – An organisation appointed by the Trustee to manage investments on behalf of the Scheme;

Principal Employer – Sims Group UK Limited;

Recovery Plan - The agreement between the Trustee and the Principal Employer to address the funding deficit;

Scheme – The Sims Group UK Combined Pension Scheme;

Statement - This document, including any appendices, which is the Trustee's Statement of Investment Principles;

Technical Provisions - The amount required, on an actuarial calculation, to make provision for the Scheme's liabilities;

Trust Deed and Rules - the Scheme's Trust Deed and Rules dated 13th February 2004, as subsequently amended;

Trustee – the collective entity responsible for the investment of the Scheme's assets and managing the administration of the Scheme;

Value at Risk - a technique which uses historical correlations of asset class returns and volatilities to estimate the likely worst-case scenario loss for a given portfolio of assets.

02 Division of Responsibilities

The Trustee is accountable for all aspects of the Scheme's investments, however, as permitted within the Trust Deed and Rules, the Trustee has delegated some of the decision-making powers and other responsibilities as set out below.

Trustee

The Trustee has retained the following responsibilities and powers for itself:

> The content and the reviewing of this Statement.

> Reviewing the investment policy.

> Appointing the Investment Managers.

> Assessing the performance and investment process of the Investment Managers.

> Consulting with the Scheme Sponsor when reviewing investment policy issues.

> Monitoring compliance of the investment arrangements with this Statement on an ongoing basis.

In addition, the Trustee of the Scheme will make decisions relating to the Scheme's investments, including issues such as:

> The kinds of investments to be held.

> The balance between different kinds of investments.

> The level of risk to which the Scheme is exposed to.

> The Investment Manager arrangements.

> The performance target of the Investment Managers.

Investment Consultant

The Investment Consultant's responsibilities include:

> Participating with the Trustee in regular reviews of this Statement, and in the review of investment related issues as described in this Statement.

> Undertaking project work as required including reviews of asset allocation policy and reviews or selection of Investment Managers.

> Advising the Trustee of how any changes in the Scheme's benefits, membership and funding position may affect the way in which the Scheme's assets should be invested.

Investment Managers

Each Investment Manager's responsibilities will include:

> Investing in diversified portfolios of assets suitable for pension schemes in accordance with the mandate they have been given by the Trustee.

> At their discretion, but in accordance with the mandate the Trustee has given them, implementing changes in the asset mix and selecting individual securities and financial instruments within each asset class.

> Providing the Trustee with regular portfolio valuations and records of transactions, along with a report at least annually, on actions and future intentions, and any changes to the processes, objectives and guidelines applied to their management of the Scheme's assets to enable the Trustee to review the Investment Manager's activities.

> Exercising the rights attached to the shareholdings of the Scheme so as to protect and enhance the long-term value of a stock holding for the Scheme.

03 Strategic investment policy and objectives

Choosing investments

The Trustee relies on professional Investment Managers for the day-to-day management of the Scheme's assets. However, the Trustee retains control over some investments. In particular, the Trustee makes decisions about pooled investment vehicles in which the Scheme invests and any AVC investment vehicles.

The Trustee's policy is to regularly review the investments over which they retain control and to obtain written advice about them when necessary. When deciding whether or not to make any new investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the Investment Managers. The written advice will consider suitability of the investments, the need for diversification and the principles within this Statement. The adviser will have the knowledge and experience required under Section 36(6) of the Act.

Long-term objectives

The primary investment objective of the Trustee is to seek ensure the Scheme is able to meet the benefit payments promised as they fall due from a combination of investment returns and planned contributions.

Having regard to the primary investment objective and subject to the strength of the employer covenant, the Trustee will seek to achieve a level of investment return which mitigates the cost of the Scheme to the employer over the long term.

The Trustee will seek to achieve a level of investment return which is consistent with that assumed in the Recovery Plan from the most recent Actuarial Valuation.

The Trustee will seek to achieve a balance between return seeking assets and liability matching assets consistent with the profile of the members of the Scheme and the profile of the liabilities.

The Trustee will seek to keep the costs and the manager risk in implementing the investment strategy suitably low.

The Trustee will seek to utilise the skills of investment managers to enhance returns to the extent they reasonably expect that the manager will be able to add value in excess of the extra fees over time.

The Trustee will seek to use the skills of investment managers to reduce volatility and to increase diversity across asset classes where prudent to do so given the other investment objectives.

The Trustee will seek to use the skills of investment managers and hedging strategies to reduce the interest rate risk and inflation risk of the Scheme so far as practicable.

The Trustee will seek to manage currency risk as part of the overall investment risk of the portfolio where they reasonably consider such an approach has the potential to reduce volatility.

Expected returns

By undertaking the investment policy described in this Statement, the Trustee expects future investment returns will at least meet the rate of return underlying the Recovery Plan.

Investment Policy

Following advice from the Investment Consultant, the Trustee has set the investment policy and objectives with regard to the Scheme's liabilities and funding level.

The Trustee intends to achieve these objectives through investing in a diversified portfolio of return-seeking assets (e.g. illiquid assets and multi asset funds) and liability matching assets (e.g. LDI). The Trustee recognises that the return on return-seeking assets, whilst expected to be greater over the long-term than that on liability matching assets, is likely to be more volatile. A mixture across asset classes should nevertheless provide the level of returns required by the Scheme to meet its liabilities at an acceptable level of risk (of underperforming the liabilities) for the Trustee, and an acceptable level of cost to the Principal Employer.

Strategic investment policy and objectives continued

The investment policy the Trustee has adopted is detailed in Appendix I. The specific Investment Manager mandates against which performance of the assets will be assessed are specified in Appendix II.

Range of assets

The Trustee considers that the combination of the investment policy detailed in Appendix I and the specific manager mandates detailed in Appendix II will ensure that the assets of the Scheme include suitable investments that are appropriately diversified and provide a reasonable expectation of meeting the objectives. In setting out the mandates for the Investment Managers, the Trustee will ensure that the Scheme holds a suitably diversified range of securities in each category, avoiding an undue concentration of assets.

Based on the structure set out in Appendix I, the Trustee considers the arrangements with the Investment Managers to be aligned with the Scheme's overall strategic objectives. Details of each specific mandate are set out in agreements and pooled fund documentation with each Investment Manager. The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them through asset allocation parameters set by the Trustee or governing the pooled funds in which the Scheme is invested.

The Trustee will ensure that the Scheme's assets are invested in regulated markets to maximise their security.

Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Scheme's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustee's expectations, including the selection/deselection criteria set out in Section 7.

The Trustee encourages Investment Managers to make decisions in the long-term interests of the Scheme. The Trustee expects engagement with management of the underlying issuers of debt or equity and the exercising of voting rights. This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns. As covered in more detail in Section 4, the Trustee also requires the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustee believes these factors could have a material financial impact in the long-term. The Trustee therefore make decisions about the retention of Investment Managers, accordingly.

04 Responsible investment

The Trustee has considered their approach to environmental, social and corporate governance ("ESG") factors for the long term time horizon of the Scheme and believe there can be financially material risks relating to them. The Trustee has delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's Investment Managers. The Trustee requires the Scheme's Investment Managers to take ESG and climate change risks into consideration within their decision-making, in relation to the selection, retention or realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustee will seek advice from the Investment Consultant on the extent to which their views on ESG and climate change risks may be taken into account in any future Investment Manager selection exercises. Furthermore, the Trustee, with the assistance of the Investment Consultant, will monitor the processes and operational behaviour of the Investment Managers from time to time, to ensure they remain appropriate and in line with the Trustee's requirements as set out in this Statement.

As the Scheme invests in pooled funds, the Trustee acknowledges that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the Investment Managers. The Trustee encourages them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustee requires the Investment Managers to report on significant votes made on their behalf.

In order to ensure sufficient oversight of the engagement and voting practices of the Scheme's managers, the Trustee may periodically meet with its investment managers to discuss engagement which has taken place. The Trustee also expects the Investment Consultant to engage with the investment managers from time to time as needed and report back to the Trustee on the stewardship credentials of their managers. The Trustee will then discuss the findings with the Investment Consultant, in the context of their own preferences, where relevant. This will include considering whether the manager is a signatory to the UK Stewardship Code. The Trustee recognises the Code as an indication of a manager's compliance with best practice stewardship standards. If the Trustee becomes aware of the Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustee's expectations, then the Trustee may consider terminating the relationship with the Investment Manager and appointing a new one.

When considering the selection, retention or realisation of investments, the Trustee has a fiduciary responsibility to act in the best interests of the beneficiaries of the Scheme, although they have neither sought, nor taken into account, the beneficiaries' views on matters including (but not limited to) ethical issues and social and environmental impact. The Trustee will review this policy if any beneficiary views are raised in future.

05 Risk measurement and management

The Trustee recognises a number of risks involved in the investment of the assets of the Scheme. The Trustee accepts that not all risks can be easily quantified but will take advice from the Investment Consultant to understand the magnitude of all financially material risks present in the Scheme. Key risks include:

Solvency risk and mismatching risk - The risk that the assets do not respond to market changes in the same way as the liabilities, resulting in volatility in the funding position, is addressed through the strategic asset allocation and through ongoing triennial actuarial valuations. In setting the investment strategy, the Trustee will consider (for example) the Value at Risk.

Strategy risk - The risk that the Investment Managers' asset allocation deviates from the Trustee's investment policy is addressed through regular review of the asset allocation. In reviewing the investment strategy on a periodic basis, the Trustee will consider the current economic factors affecting the asset classes in which they have invested and the short to medium term outlook for performance by reference to e.g. current and historic yields, GDP growth forecasts and other relevant factors. The Trustee will also consider how far the actual asset allocation has drifted from the strategic asset allocation and take action to rebalance if necessary.

Sponsor risk - The risk of the Principal Employer becoming insolvent. This is measured by undertaking a periodic independent assessment of the Principal Employer's viability and is, along with other factors, taken into account by the Trustee when setting the level of risk within the investment strategy.

Liquidity risk - The risk that assets cannot be sold quickly enough to enable benefits to be paid or that the Trustee cannot exit a particular investment is addressed through the process by which the administrator estimates the benefit outgo and ensures that sufficient cash balances are available, and through the Trustee's policy on realisation of assets (see below).

Default risk - The risk that income and principal repayments owed to the Scheme from bond investments cannot be repaid when promised. This is measured by monitoring the credit quality of the Scheme's portfolio. This

risk is managed by adopting an investment strategy that primarily seeks to invest in high quality government and corporate bonds (as measured by third party credit rating agencies). Investment in sub-investment grade or high yield bonds (i.e. bonds rated BB+ or below by Standard & Poor's and Fitch or Ba1 or below by Moody's) is permitted where the Investment Manager deems it is beneficial to do so within the confines of the restrictions set out in the governing documentation for a particular mandate.

Inappropriate investments - The risk that an Investment Manager invests in assets or instruments that are not considered to be appropriate by the Trustee is addressed through the Trustee's policy on the range of assets in which the Scheme can invest (see section 2).

Counterparty risk - The risk that a third party fails to deliver cash or other assets owed to the Scheme is addressed through the Investment Managers' guidelines with respect to cash and counterparty management.

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

Custodian risk - The risk that the custodian fails to provide the services expected is addressed through the agreement with the third party custodian and ongoing monitoring of the custodial arrangements. In pooled arrangements this is invariably delegated to the Investment Managers.

Concentration risk - The risk that insufficient diversification within the investment strategy leads to financial loss to the Scheme. This is managed by taking advice from the Investment Consultant on the need for diversification within the context of the Trustee's objectives and investing in a range of securities and asset classes diversified by geography and sector.

Manager risk - The risk that an Investment Manager fails to meet their stated objective is addressed through the performance objectives set out in Appendix II and through the monitoring of the Investment Managers as set out in section 6. In monitoring the performance of the Investment Managers, the Trustee measures the returns relative to the benchmark, objective and the volatility of returns. In addition, the Trustee will regularly review each Investment Manager's approach to risk within each fund in order to highlight any unintended risk being taken. For example:

- for equities, the Trustee will consider the spread of assets across various geographic and industry sectors, the concentration of investments in individual stocks and the active positions taken by the Investment Managers;

- for real estate secondary assets and property, the Trustee will consider the spread of assets across various geographic sectors, vintage years and property types. The Trustee will also review how each fund operates within its own defined risk controls and limits;
- for multi asset credit funds, the Trustee will consider the type and quality of the underlying assets and the volatility of each fund both in absolute terms and in comparison to the volatility of traditional credit markets;
- for multi-asset funds such as diversified growth funds (DGFs) and private markets, the Trustee will consider the weightings within each fund to different asset classes;

for liability driven investment (LDI) funds, the Trustee will review risk through the type of instruments held and the risks associated with these investments.

Fraud/Dishonesty - The risk that the Scheme assets are reduced by illegal actions is addressed through restrictions applied as to who can authorise transfer of cash and the account to which transfers can be made.

Currency risk – The risk of losses through depreciation of non-sterling currencies is measured by reference to the exposure of the Scheme to pooled funds with unhedged currency risk and is managed by investing predominantly in sterling assets and only taking currency risk where it increases the level of diversification.

06 Realisation of assets and investment restrictions

Realisation of investments

In recognition of the fact that funds may need to be realised for a number of unanticipated reasons at any time, and the desirability of retaining as high a degree of flexibility as possible to cater for unexpected changes in circumstances, the Trustee will monitor closely the extent to which any assets not readily realisable are held by the Investment Managers and will limit such assets to a level where they are not expected to prejudice the proper operation of the Scheme.

The Trustee has considered how easily investments can be realised for the types of assets in which the Scheme is currently invested. As such, the Trustee believes that the Scheme currently holds an acceptable level of readily realisable assets. The Trustee will also take into account how easily investments can be realised for any new investment classes it considers investing in, to ensure that this position is maintained in the future.

The Trustee will hold cash to the extent that it considers necessary to meet impending anticipated liability outflows. A bank account is used to facilitate the holding of cash awaiting investment or payment.

Investment restrictions

The Trustee has established the following investment restrictions:

> The Trustee or the investment managers may not hold in excess of 5% of the Scheme's assets in investments related to the Principal Employer;

> Whilst the Trustee recognise that borrowing on a temporary basis is permitted, this option will only be utilised where it is deemed absolutely necessary or where the Trustee has received advice from the Investment Consultant that the Scheme's overall exposure to risk can be reduced through temporary borrowing, e.g. during an asset transfer;

> Investment in derivative instruments may be made only insofar as they contribute to the reduction in risk or facilitate efficient portfolio management.

The Investment Managers impose internal restrictions that are consistent with their house style. In some instances, the Trustee may impose additional restrictions and any such restrictions are specified in Appendix II.

07 Investment Manager Arrangements and fee structure

Delegation to Investment Manager(s)

In accordance with the Act, the Trustee has appointed one or more Investment Managers and delegated to them the responsibility for investing the Scheme's assets in a manner consistent with this Statement.

The Investment Managers are authorised and regulated to provide investment management services to the Scheme. Within the UK, the authorisation and regulation of the Investment Managers falls under the Financial Conduct Authority (FCA). Specific products in which the Scheme invests may also be regulated by the Prudential Regulatory Authority (PRA). For non-UK Investment Managers, authorisation and regulation is undertaken by the home state regulator.

Where Investment Managers are delegated discretion under section 34 of the Pensions Act 1995, the Investment Managers will exercise their investment powers with a view to giving effect to the principles contained in this Statement so far as reasonably practicable. In particular, the Investment Managers must have regard to the suitability and diversification of the investments made on behalf of the Scheme.

The Investment Managers will ensure that suitable internal operating procedures are in place to control individuals making investments for the Scheme.

Performance objectives

The individual benchmarks and objectives against which each investment mandate is assessed are given in Appendix II.

Review process

Appointments of Investment Managers are expected to be long-term, but the Trustee will review the appointment of the Investment Managers in accordance with their responsibilities. Such reviews will include analysis of each Investment Manager's performance and processes and an assessment of the diversification of the assets held by the Investment Manager. The review will include consideration of the continued appropriateness of the mandate given to the Investment Manager within the framework of the Trustee's investment policies.

The Trustee receives quarterly performance monitoring reports from the Investment Consultant which consider performance over the 3 month, one and three year periods. In addition, any significant changes relating to the criteria below that the Investment Consultant is aware of will be highlighted, which may lead to a change in the Investment Consultant's rating for a particular mandate. These ratings help to determine an Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustee may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend Trustee meetings as requested.

The Investment Consultant has also carried out a review of how well ESG factors are incorporated into each Investment Manager's processes and the Trustee will re-assess progress on ESG issues periodically.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustee's policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

Selection / Deselection Criteria

The criteria by which the Trustee will select (or deselect) the Investment Managers include:

- Parent - Ownership of the business;
- People - Leadership/team managing the strategy and client service;
- Product - Key features of the investment and the role it performs in a portfolio;
- Process - Philosophy and approach to selecting underlying investments including operational risk management and systems;
- Positioning - Current and historical asset allocation of the fund;
- Performance - Past performance and track record;
- Pricing - The underlying cost structure of the strategy;
- ESG – Consistency and extent to which ESG analysis is incorporated into the process of selecting underlying investments.

Investment Manager Arrangements and fee structure continued

An Investment Manager may be replaced, for example (but not exclusively), for one or more of the following:

> The Investment Manager fails to meet the performance objectives set out in Appendix II;
> The Trustee believes that the Investment Manager is not capable of achieving the performance objectives in the future;
> The Investment Manager fails to comply with this Statement.

Investment Managers' fee structure

The Investment Managers are remunerated by receiving a percentage of the Scheme's assets under management and, in some cases, through the application of a flat fee.

Details of the fee arrangements are set out in Appendix II. It is felt that this method of remuneration provides appropriate incentives for the Investment Managers to target the agreed level of outperformance whilst adhering to the level of risk specified by the Trustee.

Portfolio turnover

The Trustee requires the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.

Investment Consultant's fee structure

The Investment Consultant is remunerated for work completed on a fixed fee basis, a time-cost basis or via a project fee.

It is felt that this method of remuneration is appropriate because it enables the Investment Consultant to provide the necessary advice and information to facilitate the Trustee in undertaking their responsibilities.

08 Compliance Statement

Confirmation of advice

Before a Statement of Investment Principles, as required by the Pensions Act 1995, is prepared or revised by the trustee of a pension scheme, they must have consulted with the principal employer and obtained and considered the written advice of a person who is reasonably believed by it to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes.

The Investment Consultant hereby confirms to the Trustee that they have the appropriate knowledge and experience to give the advice required by the Act.

Signatures

On behalf of XPS Investment Limited:

Date:

Trustee's declaration

The Trustee confirms that this Statement of Investment Principles reflects the Investment Strategy they have decided to implement. The Trustee acknowledges that it is their responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

On behalf of the Trustee:

Date:

Appendix I
Investment Strategy & Structure

Overall strategy

The Trustee has adopted an investment strategy that invests in assets designed to move in line with changes in the present value of the liabilities (matching assets), and return seeking assets that seek to generate a return in excess of the risk free rate.

The Trustee has identified the following long term structure as appropriate to meet the objectives of the Scheme.

Asset Class	Long term Target Allocation (%)
Return Seeking Assets	
Diversified Growth	
LGIM Dynamic Diversified Fund (DDF)	20
Secure Income	
BlackRock UK Strategic Alternative Income Fund (SAIF)	29
Matching Assets	
Liability Driven Investment (LDI)	
LGIM LDI portfolio (managed under LGIM enhanced 'lite' service ESA)	41
Buy and Maintain Credit	
LGIM Future World Net Zero Buy & Maintain Credit Fund	10
Total	**100**

Liability matching assets

The Trustee makes use of liability driven investments ("LDI") to help immunise the funding position as a result of changes in interest rate and inflation expectations. This includes the Matching Plus fund range (combined with the Single Stock Gilt fund range).

The leveraged nature of some of these funds means that there is an expectation that additional collateral will be required to be paid into these funds from time to time (and any excess collateral repaid to the Trustees). Where any additional collateral payments are required, it is the Trustee's intention that these will be first met through physical gilts and cash held in the Enhanced Service Agreement ("ESA") portfolio, with further liquidity provided by disinvestments from the diversified growth allocation where required. LGIM will monitor these holdings and notify the Trustees should they expect there to be insufficient assets available to meet a future recapitalisation event, either through cash, physical gilts or disinvestments from the diversified growth allocation.

In addition to this, the Trustee also makes use of the LGIM ESA to help govern the liability hedging strategy with LGIM. Here LGIM have greater discretion over managing the liability hedging assets, including rebalancing of the underlying gilt funds and liquidity management. The Trustee pays an additional fee to LGIM for the use of this service.

Return-seeking assets

In order to achieve the required rate of investment return with a lower level of expected volatility, the Trustee has decided to invest in a diversified range of return seeking assets.

Secure Income - With the objective of achieving a higher rate of return, the Trustee has allocated some of the Scheme's assets to a Secure Income Fund (Private Credit, Real Estate Debt, Infrastructure Debt, Infrastructure Equity, and Real Estate Equity). The illiquid assets are expected to provide a higher return than a similar investment in quoted markets.

Diversified Growth – The Trustee has decided to invest in this asset class in order to provide additional diversification and return. Diversified Growth funds are expected to provide a long term return similar to equities but with a lower degree of volatility. This is achieved by providing a diversified exposure to a range of traditional return seeking assets (e.g. equities, high yield credit, listed property).

Rebalancing and cashflow

The Trustee reviews the asset allocation on a periodic basis to ensure that the Scheme assets are allocated in a manner that is consistent with the objectives as detailed in this Statement.

There is no automatic rebalancing back to the target, however the Trustee will periodically review the position and take action to rebalance if considered appropriate following advice from the Investment advisors.

LGIM have discretion over the allocation to the LDI profile funds used in the hedging strategy and therefore will rebalance this allocation appropriately. Whilst the exact allocations of the hedging strategy are designed by LGIM, the Trustee still retains discretion over the Buy and Maintain Credit Fund.

Liability hedging

The hedging strategy was implemented with an expectation to achieve liability hedging against interest and inflation rate expectations changing in the future. The liability hedging solution was implemented under the LGIM Enhanced Service with the objective to achieve a liability hedge of:

- 90% of the interest rate risk, as a proportion of the Scheme's total liabilities, as assessed against the low dependency basis.

- 90% of the inflation risk as a proportion of the Scheme's total liabilities, as assessed against the low dependency basis.

The amount of hedging achieved may vary over time for a number of reasons. One of the key variations in the hedge level will come from investments or disinvestments being made to or from the LGIM Matching Plus funds. The level of hedging will also be impacted if the assumptions used in the actuarial valuation are changed or not borne out in practise.

Appendix II
Fund benchmarks & objectives

Leveraged Gilts (Matching Plus fund range)

Benchmark Fund specific leveraged liability benchmark

Objective The funds aim to reduce DB pension scheme risk exposure to changes in interest rate and inflation rates.

Leveraged Index-Linked Gilts (Matching Plus fund range)

Benchmark Fund specific leveraged liability benchmark

Objective The funds aim to reduce DB pension scheme risk exposure to changes in interest rate and inflation rates.

Single Stock Gilt Funds

Benchmark Fund specific treasury gilts

Objective The funds aim to reduce DB pension scheme risk exposure to changes in interest rate and inflation rates.

Single Stock Index Linked Gilt Funds

Benchmark Fund specific treasury index linked gilts

Objective The funds aim to reduce DB pension scheme risk exposure to changes in interest rate and inflation rates.

Sterling Liquidity Fund

Benchmark 7 day LIBID

Objective The fund aims to offer access to liquidity whilst providing capital stability. The investment objective of the fund is to provide diversified exposure and a competitive return in relation to 7 Day LIBID.

LGIM Dynamic Diversified Fund

Benchmark Bank of England Base Rate + 4.5% p.a.

Objective To provide long-term investment growth through dynamic exposure to a diversified range of asset classes. The asset allocation of the fund is managed with the aim of enhancing returns and managing downside risk.

LGIM Future World Net Zero Buy & Maintain Credit Fund

Benchmark iBoxx GBP non gilt 5+ index

Objective Produce a return derived from capital growth and income through investment in credit markets.

BlackRock UK Strategic Alternative Income Fund

Benchmark N/A

Objective To generate income on investments whilst preserving capital over the long term. Target return of 10y Gilts + 2-3% (net of fees and expenses).

Contact us
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