

The Alan Nuttall Partnership Limited

Statement of Investment Principles for The Alan Nuttall Limited (Hinckley) Employee Retirement Benefits Scheme

Introduction

The Alan Nuttall Limited (Hinckley) Employee Retirement Benefit Scheme is a Money Purchase Occupational Pension Scheme under which there is a minimum defined benefit guarantee. This guarantee takes the form of Guaranteed Minimum Pensions (GMP's) and Reference Scheme Test (RST) benefits in respect of members' service. It is necessary under the Rules of the Scheme to ensure that sufficient monies are held within the Scheme to enable both GMP / RST and Scheme benefits to be provided when they fall due.

The Scheme ceased to be contracted out of the State Earnings Related Pension Scheme (SERPS) with effect from 6th June 1999, and contributions into the Scheme ended on 30th June 2009.

This document forms the Statement of Investment Principles ("the SIP" or "the Statement") for the Defined Benefit Section ("the DB Section) of the Alan Nuttall Ltd (Hinckley) Employee Retirement Benefits Scheme for benefits accrued before 6th June 1999, as well as the Defined Contribution Section ("the DC Section) up until the Scheme end date of 30th June 2009.

Appointments and Delegation

Most of the Investments held within the Scheme for both the Defined Benefit and Defined Contribution sections are managed by Royal London Asset Management. They provide access to a wide range of funds and have a dedicated in-house research team and they use their expert knowledge.

In addition, the Trustees have assets invested on Old Mutual Wealth's platform to cover potential shortfalls in members accounts for Defined Benefit members when they fall due. For these investments, the Trustees have delegated Investment decisions and compliance stewardship to the Avellemy Investment Committee (AIC) and their Investment Advisers Ascot Lloyd that report back to the Trustees.

The AIC has delegated day-to-day investment management to authorised managers and has taken steps to satisfy itself that the managers have the appropriate knowledge and experience for managing Alan Nuttall Limited (Hinckley) Employee Retirement Benefit Scheme investments. These appointments are regularly reviewed.

Investment Objectives

The Scheme is a wholly insured occupational pension scheme with more than 100 members. The scheme only invests in specified qualifying insurance policies. The Trustees do not consider that the scheme should cease to be wholly insured and will continue to use only qualifying insurance policies. The assets of the Scheme are invested in pension funds, which are part of the range of Royal London pension funds, which are themselves invested in a portfolio of assets, managed by Royal London Asset Management. Royal London are regulated by the Financial Conduct Authority.

In addition, the Trustees have assets invested on Old Mutual Wealth's platform, in the form of an Open-Ended Investment Company (OEIC) fund. These investments are currently held within the Avellemy 6 fund which provides a risk targeted multi-asset solution. The underlying assets include a combination of higher-risk investments such as equities with lower and medium risk investments such as bonds and property. The portfolio invests in a wide range of asset classes and geographical areas.

The long-term strategic asset allocations are monitored on a quarterly basis, with the blend of asset classes dictated by the level of risk the Trustees are willing and able to take, with the underlying portfolio being rebalanced on a quarterly basis.

The additional benefits of investing in these investments is that they will receive expert quantitative and qualitative fund research provided by Parmenion Investment Management, as well as oversight by Avellemy's own in house management team. It also offers a focus on downside protection and achieving the best possible risk adjusted returns.

In considering the appropriate investments, the Trustees have obtained and considered the written advice of Ascot Lloyd, whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees opinion, consistent with the requirements of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005. The Trustees have consulted the employer about this Statement of Investment Principles.

Investment Strategies for Defined Benefit Assets

Investment strategy involves the decision of the mix between Liability Focused Assets (assets that will have similar characteristics to the liabilities, for example interest rate and inflation sensitivity) and Growth assets. Growth assets have the potential for higher returns but typically bring additional risk.

The investment strategy for the scheme will be determined after considering the liability and risk profile of the scheme. In addition, the investment strategy takes into account the underlying financial strength of the employer and its ability and willingness to contribute appropriately to the scheme.

In order to meet the long-term funding objectives with an acceptable level of contributions, The Trustees seek to control investment risk relative to each scheme's liabilities but does not necessarily fully match the liabilities.

By allocating to Growth assets the strategy targets a greater return than liability Focused Assets are expected to provide. Investment risk is measured using different metrics, including the likely annual variation in return between the matching portfolio of investments and the investment strategy adopted.

Investment Strategies for Defined Contribution Assets

The Trustees believe that members should make their own investment decisions based on their individual circumstances. However, the Trustees recognise that some members may not be comfortable or may be unwilling to make their own investment decisions. For this reason, the Trustees provide a default investment option for the DC section for members who do not wish to make their own investment decisions. The Default Investment Strategy agreed with the Trustees is Royal London's Balanced Retirement Investment Strategy (BRIS). This fund aims to be well diversified

between asset classes. This fund does not require members to make their own investment decisions is designed to be suitable for members' own individual expected retirement date.

For those members who wish to make their own investment decisions, Royal London offer a total of 19 funds under the Crest Money Purchase Scheme.

All funds are made available after the provision to the Trustees of appropriate written advice. In doing this the Trustees have considered the risk that the investments might not, over a members' working life, produce adequate returns and that during the period preceding retirement a change in investment market conditions might lead to a reduction in anticipated retirement benefits.

The investment objective for the default strategy are set by the Trustees and reviewed annually.

The main risk is that the investment returns over the life of the funds fail to meet their fund-specific performance objective. For the Crest Growth funds, this is expressed as an investment return in excess of inflation as measured by the CPI. Royal London's Investment Manager seeks to dampen the impact of short-term market movements by adjusting the asset allocation tactically. Over the life of the fund the strategic asset allocation shifts so that as a member approaches retirement the exposure to Growth assets is reduced in favor of more defensive, less volatile assets. The self-select funds are chosen by members who bear the risks associated with their chosen fund(S).

The strategy for the scheme is reviewed at least every three years to ensure that it remains appropriate.

Investment Return

For the Old Mutual Wealth Investments, the AIC employ the services of Parmenion Investment Management (PIM) to provide expert investment due diligence. Parmenion is part of Aberdeen Standard Investments, the asset management business of Standard Life Aberdeen plc and one of the worlds largest investment companies.

They provide a dedicated Investment Management team to Avellemey and deliver the highest quality of quantitative and qualitative due diligence via a "Three stage filtering process" to find the best funds for the models for around a total of 13,000 funds available. The committee is made up by a number of internal and external independent experts to ensure that the models are managed to the appropriate mandates. The AIC monitors ongoing performance and if necessary, challenges both the asset allocations and the fund research where appropriate. The Trustees believe it is desirable to balance return and risk by using the different investment styles of active managers.

For the DC funds, the long-term performance of the target date funds depends on the asset allocation of the fund managers.

Management & Risk

Investments are held by Insurance Companies that act as Custodians. Only designated persons can authorise the transfer of assets between fund managers. Each investment manager executes its own stock selection policy within asset allocation control targets which for the Avellemey OEIC assets are agreed with the AIC. The discretionary managers determine the assets held, subject to objectives agreed and reviewed from time to time. Most assets are quickly marketable. Investments may be realised from time to time as required to provide funds to make payment of benefits. Formal meetings

are held regularly with the investment managers and custodians. By using many investment managers, the risk attached to adverse performance by any one manager is reduced.

The Royal London investments are governed by an insurance policy; the Trustees have no direct ownership of the funds. Most members' funds are held in the Balanced Retirement Investment Strategy (BRIS). This strategy recognises that, as members' retirement approaches, they are likely to want to reduce the risk to their retirement savings. As such, this strategy aims to provide maximum investment growth in the early years (often by investing in company stocks and shares). As retirement approaches, investments are gradually switched into other asset classes to help reduce exposure to the stock market.

The following risks, which are not exhaustive, are assessed and monitored regularly.

Risk	Description	Mitigation
Basis	Liabilities cannot be perfectly matched	Modelling of Liabilities using Asset-Liability software enables risk relative to liabilities to be understood and monitored
Inflation	The risk that investments do not provide a return at least in line with inflation, such as the "purchasing power" of the ultimate fund available to provide benefits is not maintained	To provide an investment option which is expected to provide a long-term rate of return that exceeds inflation
Concentration	A high proportion of the assets are invested in securities of the same, or related, issuer or in the same or similar industry	Provide an appropriate spread of assets by type and spread of individual securities within each asset class through the overall investment arrangements
Counterparty	Schemes or managers enter into financial contracts with a third party which then fails, probably due to default, to fulfill its obligations	Set an appropriately high minimum credit rating of counterparties to transact with and limit the exposure to any single counterparty. Collateral is required from counterparties to financial contracts to mitigate the loss in the event they fail to fulfil their obligations under the contracts
Covenant	Financial capacity and willingness of the sponsoring employers to support the scheme	Monitor and review on a regular basis
Credit	Default by insurers of financial assets and the risk that the value of assets depreciates as a result of an increase in the overall level of perceived credit risk in the market	Control by imposing limits on the amount and type of credit assets that can be held
ESG & Climate Change	Downside risks that results from environmental, social and governance (ESG) related factors including climate change	Responsible investment policy sets out ESG risk management strategy as an integral part of investment decision making process, with specific reference to climate change
Foreign Exchange	Losses that result from unhedged overseas investments	Implement a dedicated foreign currency hedging programme
Illiquidity	Inability of assets to be sold quickly or sold at fair market values	Set a prudent limit for the proportion of liquid assets to be held in the

		portfolio and monitor the exposure on a regular basis
Longevity	Pensioners live longer than expected, leading to greater than expected benefit payments being made	Monitor schemes' mortality experience and mortality trends and consider the likely outlook for future experience. Carry out sensitivity testing on the mortality assumptions to determine the impact of changes in the assumptions
Manager	Investment managers persistently underperform their performance objectives	Maintain a robust manager selection and monitoring process, manager diversification, tracking error limits and performance targets
Mismatch	Mismatch between the schemes' assets and liabilities, particularly in relation to the impact of changes in rates	Implement bespoke liability hedging solutions to manage a significant portion of the mismatch risk for each scheme
Operational	Losses arising from insufficient internal processes, people or systems and external events. This includes risk arising from the custody or transfer of assets	Ensure processes and procedures are robust, documented and operated by trained personnel. Appropriately test systems and put in place appropriate business continuity plans
Strategic Investment	The selected long-term investment strategy fails to deliver the level of expected return or risk characteristics necessary to meet the underlying schemes' objectives	Set risk measures and limits to be monitored regularly. Consider valuation metrics for investments, review strategic allocations on a regular basis

The list above is not exhaustive as there are many other risks associated with investing, but these are considered to be the most likely to hinder members and the Trustees from achieving their objectives.

Environmental, Social and Governance Issues (ESG)

The Trustees will act wherever reasonably possible as a responsible asset owner and market participant across all its investments. The Trustees believe that responsible investment (Incorporating environmental, social and governance factors) reduces investment risk and has the potential to enhance returns.

The Trustees delegate responsibility for the selection, retention and realisation of the investments to the investment managers. The Trustees therefore requires their fund managers in their stewardship of the investment assets to pay appropriate regard to relevant corporate governance, social, ethical and environmental considerations when considering the purchase, retention or sale of investments.

Whilst it is the Trustees preference that all companies should be run in a socially responsible way, it takes the view that its primary responsibility is to act in the best financial interest of the members of the Scheme. Therefore, the Trustees policy is that the extent to which social, environmental and ethical considerations issues may have a financial impact on the portfolio will be taken into account by the active investment managers in the exercise of their delegated duties. The Trustees accept the managers' policies on this issue.

The Trustees policy is to delegate responsibility of the exercising of rights (including voting rights) attaching to investments to the investment managers. The Trustees will therefore accept the investment managers' policies in respect of the exercising of rights attaching to investments.

The Trustees require its investment managers to follow the PLSA's Corporate Governance Policy and Voting Guidelines, the G20/OECD Principles of Corporate Governance and the ICGN's Statement on Global Governance, unless it is the case that the investment manager's own Voting and Engagement Policies better reflect The Alan Nuttall Limited Partnership Investment Beliefs.

With regards to the Avellemy investments, the IAC takes appropriate steps to implement and monitor these policies and will take account of these matters in the manager selection and monitoring process. Where relevant it will formally include reference to its expectations on ESG in the legal documentation it puts in place with managers and service providers.

Monitoring

The Trustees with assistance from their Investment Advisers monitor the performance of the Provider(s) on a regular basis to ensure that:

- The quality of day-to-day member services is maintained
- The proposition continues to offer the Trustees the flexibility required to meet its objectives and that the services offered evolve with best practice
- The pricing of the available funds is a true reflection of the underlying investment produce, where feasible

The Trustees with assistance from their Investment Advisers will also monitor the performance of the investment options on a regular basis. Independent expert advice is taken on all investment options where feasible.

Funds may be selected, monitored and terminated on the basis of a range of factors of which performance is only one. When reviewing a manager, the Trustees will consider whether or not the investment manager:

- Is carrying out its function competently
- Has regard to the need for diversification of investments and each category of investment, consistent with the specific fund
- Has been exercising its powers of investment in line with giving effect to the principles contained in this Statement, so as far as is reasonably practical

Funding Requirements

The Trustees receive independent professional advice from Royal London's Actuary to ensure that the funding obligations of the Pensions Act 1995 and the Pensions Act 2004 are complied with. The scheme is individually valued in order to assess its own funding position relative to its obligations to members.

Governance

The Trustees place an emphasis on implementing best practice governance to ensure that the investment strategy is designed and executed with only the interests of members in mind.

The Trustees consider that the governance structure that it employs is appropriate for the scheme, as it allows the Trustees to make important decisions on investment policy, with the advice from the investment consultant or other advisers as appropriate.

Only persons or organisations with the necessary skills, information and resources take decisions affecting the scheme. The Trustees receive services from professional advisers, including the Scheme actuary, investment consultant, solicitors and auditors, whose performance is monitored regularly.

Review of the Statement

The Trustees review the Scheme's Investment Strategy on an ongoing basis. However, much of the content of this SIP is unlikely to change on a regular basis as it represents the fundamental principles underlying the Trustees approach to investments.

The Trustees will review this document at least annually, and/or immediately following a significant change in investment policy. Any such review will be based on written, expert investment advice.