

# BENNIE HOLDINGS LIMITED RETIREMENT BENEFITS SCHEME

## STATEMENT OF INVESTMENT PRINCIPLES

SEPTEMBER 2024

### 1. INTRODUCTION

The Trustees of the Bennie Holdings Limited Retirement Benefits Scheme (the "Scheme") has adopted this Statement of Investment Principles ("the Statement") to comply with the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005. This Statement replaces all previous Statements.

When making their investment decisions and reviewing this Statement, the Trustees obtained and considered the written advice of Cartwright Benefit Solutions Limited, whom the Trustees reasonably believe to be qualified by its 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. Cartwright Benefit Solutions Limited is also authorised under the Financial Services and Markets Act 2000 to provide investment advice to the Trustees.

Whilst the Trustees are solely responsible for the Scheme's investment strategy, the Trustees consulted Bennie Group Limited (the "Employer") on both the investment decisions taken by the Trustees and this Statement's content.

### 2. INVESTMENT OBJECTIVES

The primary investment objective of the Trustees is to ensure that the Scheme will be able to pay all beneficiaries in full as and when their benefits fall due, taking into account the existing assets, the investment returns expected to be achieved, and the contributions (if any) from the Employer.

To increase the certainty of achieving the primary investment objective, the Trustees will aim to reduce the Scheme's investment risk where possible and practical to do so, subject to still targeting sufficient investment returns. The level of investment risk will also be considered in the context of the ability and willingness of the Employer to support the investment risk being taken and the impact changes in financial market conditions may have on the potential Employer's future contribution requirements.

The Trustees understand that the Employer is willing to accept some volatility in the potential Employer's contribution requirements in the expectation that the total contributions payable would be lower than they otherwise would be (although in practice the actual contributions required could be much higher or much lower if the investments perform differently to expected).

### 3. INVESTMENT STRATEGY

The Trustees' investment strategy for the Scheme is described in the Appendix. The key considerations when designing it were as follows.

- (a) The Scheme's "growth assets" are chosen such that they are expected to grow by more than the Scheme's liabilities over the longer-term, and are diversified by asset class, geographical area, industry sector and company.
- (b) The Scheme's "protection assets" are chosen such that they are expected to move similarly to the Scheme's liabilities over both the shorter- and the longer-term, thereby reducing the

potential volatility of the Scheme's deficit (ie the difference between the Scheme's liabilities and the Scheme's assets).

- (c) The split between growth assets and protection assets is such that the overall longer-term expected investment return (net of costs) is sufficient to reasonably anticipate all beneficiaries to be paid in full. However, this is subject to the Scheme's overall investment risk and deficit volatility continuing to be supported by the strength of the Employer's covenant.
- (d) Overall, the Scheme's assets should be sufficiently liquid to enable all beneficiaries to be paid as and when their benefits fall due. To support this, and to help to avoid the Trustees needing to disinvest from the more volatile assets when financial markets are stressed, a lower volatility absolute return bond fund has been chosen for immediate cash flow requirements in conjunction with any potential Employer contributions.

#### **4. RISK MEASUREMENT AND MANAGEMENT**

The Trustees regularly review a wide range of risks to which the Scheme is exposed and mitigates these risks where possible and practical to do so. The Trustees believe that the investment strategy adopted is consistent with the agreed risk management policy.

The Trustees' policies on the key investment-related risks are as follows:

- **Employer covenant:** the investment risk taken by the Scheme is underwritten by the Employer because, should investment returns not be achieved as expected over the longer-term, the Employer will ultimately be required to increase its contributions to enable all beneficiaries to be paid in full. The Trustees regularly monitor the Employer's covenant and consider the level of the Scheme's investment risk in light of the strength of the Employer's covenant.
- **Mismatch risk:** the inherent nature of the assets and the liabilities, and the need for the Scheme to take some investment risk to reduce the deficit over time, means that the assets and liabilities are not expected to move in tandem under all financial market conditions and the deficit may rise or fall as a result. The Trustees explicitly take the Scheme's liabilities into account when setting the investment strategy (including their nature and duration) and aim to diversify across and within the different risk factors where appropriate.
- **Active manager risk:** the Trustees recognise that actively managed funds can under- or out-perform their benchmark indices. Actively managed funds are therefore used for asset classes where the Trustees believe that the chosen investment manager is likely to consistently and sustainably either out-perform the benchmark index, reduce the volatility of investment returns, or both.
- **Diversification:** in addition to diversifying across different risk factors (see above), where appropriate, the Trustees also diversify across asset classes, counter-parties, and geographically. This helps to avoid excessive concentrations of risk. To achieve cost-effective diversification, the Scheme's assets are all invested in pooled funds.
- **Liquidity:** to pay beneficiaries, the Trustees are increasingly expected to need to regularly liquidate some of the invested assets to supplement any cash held in the Trustees' bank account and potential employer contributions. Some asset classes can be relatively illiquid and/or volatile, creating disinvestment delays or crystallising potentially short-term investment losses. The Trustees regularly review the Scheme's income and outgo in the



context of the overall liquidity of the invested assets (ie this allows a proportion of the Scheme's assets to be relatively illiquid if deemed appropriate). The Trustees also have an investment/disinvestment cash flow policy (see the Appendix) to help to ensure beneficiaries are paid as and when their benefits fall due. The selection, retention, and realisation of investments within each investment fund is delegated to the relevant investment manager.

- Derivatives: derivatives tend to involve leverage to magnify the exposure to certain financial instruments. All the derivatives used by the Scheme either contribute to the reduction of risk or are used for efficient portfolio management. The diversified derivative counter-party exposure and the collateralisation process are delegated to, and kept under regular review by, each investment manager.
- Regulatory: the Scheme's assets are invested on regulated markets.

## **5. MONITORING THE INVESTMENT STRATEGY**

The Trustees regularly review the performance of the investment strategy, including: the performance of the Scheme's assets against the Scheme's liabilities, the actual asset allocation against the strategic asset allocation, each investment fund's performance against its benchmark index, and the investment/disinvestment cash flow policy.

The Trustees require investment managers to report on the turnover of securities within invested portfolios and on the associated transaction costs, in order to assess whether such activity, and changes in it, appears reasonable, taking account of the nature of the fund concerned.

The Trustees will formally review and obtain written investment advice on the suitability of the investment strategy at least every three years in line with the timing of each triennial actuarial valuation. These reviews will include the ongoing suitability of the retention of the investment funds used.

Certain parts of the investment strategy may be reviewed more frequently if required.

## **6. FEE STRUCTURES**

The investment managers are each paid a percentage of the market value of the assets within their fund(s). The investment platform provider is paid a percentage of the assets on its platform. No additional performance fees are payable. Some operational expenses are also incurred by each fund to cover administration, audit, legal and custodial costs, along with the transaction costs associated with the buying and selling of the underlying securities as the investment manager changes the constituents of the fund over time (particularly for actively managed funds).

The investment adviser is paid on a time-cost, fixed fee or other basis, as agreed from time-to-time between the Trustees and the investment adviser.

## **7. ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE ('ESG')**

The Trustees believe that its primary responsibility is to invest the Scheme's assets for the longer-term financial best interests of the Scheme's beneficiaries, as reflected by the Trustees' strategic investment objectives (including the Scheme's investment time horizon). The Trustees believe that ESG factors (including climate change risks) can potentially have a material positive or negative financial impact on the Scheme.

The Scheme's investment funds are chosen to aim to achieve the Scheme's strategic investment objectives, with consideration given to ESG factors over the Scheme's investment time horizon when these fund choices are both made and reviewed from time-to-time. The Trustees are aware of and regularly monitor the Scheme's investment time horizon. This means that the Trustees are able to take a long-term view of the Scheme's investments when assessing managers' performance and/or asset allocation.

The Scheme's investment funds are deliberately and consciously chosen to align with the Scheme's strategic investment policies and objectives, in particular the investment funds' asset class exposure(s), the balance between different asset classes (where appropriate) and expected return and risk. In addition, the fees applicable to the Scheme's investment funds are taken into account to ensure that these are also consistent with the Scheme's investment policies and objectives, as well as being compatible with the asset class(es) that the fund invests in and returns it is seeking to achieve.

A key element of the selection of the Scheme's investment funds is the Trustees' assessment of the likelihood of each investment fund achieving its performance target on a medium/long term and sustainable basis, which is in part based on each investment fund's ability to select investee companies, for both debt and equity, that are sustainable and will produce good medium/long term performance on financial measures.

The Trustees also believe that, in general, good long term performance on non-financial measures will support and contribute to good long term performance on financial measures.

An important part of each investment fund's ability to invest sustainably in this way is to use the fund's position as a stakeholder, either unilaterally or in concert with other stakeholders, to engage with investee companies to look to improve their financial and non-financial performance.

The Trustees measure and monitor the performance versus target of all its investment funds on an after fees basis where practical to do so. Part of this monitoring process includes the consideration of the portfolio turnover costs of each investment fund and whether (or not) the twelve-month turnover is consistent with the investment philosophy and process of the investment fund. Any inconsistencies will be considered. The portfolio turnover costs will be part of the after fees fund performance and are therefore reflected in that figure.

The Trustees intention is to appoint investment managers for the long term and avoid switching between investment funds based solely on short term performance, thus incurring transaction costs which may or may not be offset by future returns. However, if the Trustees believe that an investment fund can no longer achieve its performance target, and believe that it is in the Scheme's best interests to make a change, they will do so.

Due to the Trustees' use of pooled investment funds, the application of ESG factors and the stewardship of the assets (including the exercising of voting and other rights attached to investments), are, ultimately delegated to each investment manager and may differ depending on the objectives of each investment fund and the manager's own policies in this regard.

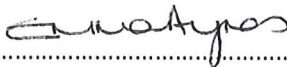
The Trustees periodically obtain and review the relevant ESG and Stewardship policy documents for each pooled investment fund in which they are invested. When relevant, the Trustees will challenge the investment manager on their policies. Should the Trustees be unsatisfied with the response, they will take the approach that is believed to be in the best interests of the Scheme's beneficiaries, which could involve further engagement with the investment manager or disinvesting in favour of a more appropriate investment fund. This creates an incentive for the investment manager to ensure that they are aware of, and as far as possible, meet the Trustees' expectations with regard to ESG and Stewardship policy.

The Trustees do not explicitly take into account the views of the Scheme's beneficiaries, including (but not limited to) ethical views and views in relation to social and environmental impact and present and future quality of life of the Scheme's beneficiaries.

### 9. FUTURE REVIEW

The Trustees will review this Statement at least every three years and without delay after any significant change in investment policy.

Any such review will be based on written investment advice from someone whom the Trustees reasonably believe to be qualified by his or her 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 Employer will also be consulted.

Signed  .....

Date 21 October 2024 .....

**For and on behalf of the Trustees of the Bennie Holdings Limited Retirement Benefits Scheme**



## APPENDIX – OVERVIEW OF THE SCHEME'S INVESTMENT STRATEGY

The Trustees have adopted the investment strategy described below, which consists of a strategic asset allocation, target hedge ratios and an investment/disinvestment cash flow policy. The strategic asset allocation determines how the Scheme's assets are split between different asset classes, and results in an overall longer-term "best estimate" expected investment return and an estimated date for the assets to reach the long term solvency target. The Trustees subsequently selected which investment manager and funds are used to implement each asset class – all the investment managers are regulated under the Financial Services and Markets Act 2000.

The Trustees have chosen Mobius Life Limited as the Scheme's execution only investment platform provider to hold the funds listed below and to help to streamline the Scheme's investment administration. Mobius Life Limited is authorised by the Prudential Regulation Authority and regulated by both the Financial Conduct Authority and the Prudential Regulation Authority.

Asset class	Investment manager	Investment fund	Management style	Strategic asset allocation
Market Driven	Legal & General Investment Management Limited	Diversified Fund	Passive	13.0%
Diversified Growth	Columbia Threadneedle Management Ltd	Multi-Asset Fund	Active	13.0%
Unconstrained Fixed Income	M&G Investments	Total Return Credit Fund	Active	19.3%
	Twenty Four Asset Management Ltd	Absolute Return Credit Fund	Active	19.3%
<b>Growth assets</b>				<b>74.6%</b>
Nominal LDI	Insight Investment Management Limited	Enhanced Selection Longer Nominal LDI Fund	Passive	25.5%
Real LDI	Insight Investment Management Limited	Enhanced Selection Longer Real LDI Fund	Passive	9.9%
<b>Protection assets</b>				<b>35.4%</b>
<b>Total</b>				<b>100%</b>
Overall longer-term "best estimate" expected return (net of investment management charges)				7.1% pa
Target interest rate hedge ratio relative to the long term solvency target				95%
Target inflation hedge ratio relative to the long term solvency target				95%
Period until expect to reach full funding on long term solvency target from 31 July 2024 (the Scheme's investment time horizon)				< 1 year

The Trustees have agreed that any cash flows for investment/disinvestment (including for LDI leverage rebalancing events) will be directed towards and taken from the Twenty Four Absolute Return Credit Fund. When the TwentyFour fund is exhausted, cash flow disinvestments will be taken from the M&G Total Return Credit Fund. The Scheme is expected to have a negative net cash flow. Therefore, ignoring financial market movements, this investment/disinvestment cash flow policy is likely to gradually reduce the allocation to the Twenty Four Absolute Return Credit Fund. The Trustees may

decide to change this investment/disinvestment cash flow policy and/or rebalance the asset allocation from time-to-time, subject to receiving the required written investment advice.

The long term solvency target is an estimate of the assets required to secure all members' benefits with an insurer. This estimate should be revised from time-to-time.

The LDI funds employ leverage (ie the level of protection provided against changes in longer-term interest rate/inflation expectations is greater than the amount invested). Should the leverage within one of the LDI funds deviate substantially from the target leverage level, Insight will rebalance the LDI fund back to the target leverage level. These LDI leverage rebalancing events could result in money being requested for, or released from, the LDI funds. The Trustees have established a default investment/disinvestment cash flow policy for these LDI leverage rebalancing events (see above).

A hedge ratio is a measure of the level of protection the Scheme has against changes in longer-term interest rates/inflation expectations. Both of these risks originate from the nature of the Scheme's liabilities. For example, with an interest rate hedge ratio of 95%, if a fall in longer term interest rates results in a £10m increase in the liability value, then the protection assets are expected to rise by £9.5m to compensate (within practical constraints and ignoring some potential residual basis risks). This simplified example assumes financial market conditions are otherwise stable (for example, no change in equity markets). In practice, due to other risk factors, the overall asset value may rise by more or less than stated (or fall).

The strategic asset allocations to LDI are likely to fluctuate over time, possibly significantly, due to the combination of changes in financial market conditions and the leverage within the funds. Crucially, it is the hedge ratios that drive the size of the LDI and gilt fund allocations, not the other way around, as the LDI allocations are whatever is needed to achieve the desired hedge ratios.

The Real LDI Fund provides protection against changes in both longer-term interest rates and longer-term inflation expectations. The Nominal LDI Fund provides protection against changes in longer-term interest rates only.

The Trustees may (in accordance with the Trust Deed and Rules) purchase an annuity or assurance contract to fund any benefits payable under the Scheme.

