

Pension and Life Assurance Plan of E H Smith (Westhaven) Limited and its Associated Companies

Statement of Investment Principles

1. This statement sets out the principles for governing investments in the above Scheme.
2. The Trustees took advice from Charles Stanley & Co Limited who they believe are both professionally qualified and experienced in financial matters, including the type of investments used in trust-based pension schemes. The Trustees have also consulted the sponsoring employer.
3. The Trustees' investment policy is to provide for the benefits set out in the trust deed and rules using the Trustees' investment powers. Their aim is to provide long-term investment growth and appropriate security for the members and their beneficiaries. At the same time, the Trustees will do their best to diversify the Scheme's investments.
4. Given the relatively modest size of the scheme assets, the Trustees took the view the most appropriate investment policy was to invest in a policy with an insurance company who specialise in occupational pension scheme services for the trustees of small and medium sized schemes.
5. Since the scheme was first set up, The Trustees have invested in a policy with Clerical Medical ("the Insurance Company"). This approach allows the trustees to:
 - Access expert investment management in a cost effective way
 - Diversify investments by using a wide range of assets and
 - Ensure the security, quality, liquidity and profitability of the portfolio as a whole
6. Clerical Medical offer a with profits investment fund ("the Fund") that the Trustees believe offers a balance of risk and return suitable for the Scheme and its members. The Trustees recognise there is a risk returns may not keep pace with inflation and that market values may reduce from time to time but are satisfied the Fund is sufficiently diversified.
7. With profits funds are long-term investments that combine a mix of equities (shares), government bonds, property, cash deposits and corporate bonds. Normally, bonuses are added annually but the provider usually retains part of the returns each year to build up their reserves.

The idea of this is that when investment conditions are poor, bonuses can be paid from reserves built up in the past. This way returns are 'smoothed', and not as volatile as investing directly in a portfolio of assets. On retirement, death or earlier transfer with profits policies may pay out some of their undistributed reserves as a terminal bonus.

In keeping with the wider market Clerical Medical have reduced how much they invest in equities meaning there is less potential for growth if equities grow quickly. If stock market conditions are poor Clerical Medical reserve the right to apply a Market Valued Reduction (MVR). This aims to leave the investors who stay in the fund with a fair share of the fund by only paying a surrender value that is not more than the market value of the policy's assets. Any change can be made without notice.

8. With Profits funds are not transparent and it can be difficult to see exactly how they are being invested, what the returns of the underlying assets have been or assess potential returns.

9. Each Scheme member can choose to pay Additional Voluntary Contributions ("AVCs"), which will also be invested in the Fund. If Clerical Medical close the Fund, any member currently paying AVCs will be informed and offered an alternative unless the Trustees decide it is no longer appropriate to offer an AVC facility for the Scheme.
10. We will review the fund's performance at least once each year. If appropriate the trustees may alter the investment fund offered to scheme members and before doing so would consult with the Employer and take investment advice. This may not automatically lead to all members changing their AVC investments and members will be told about the changes and invited to review their options.
11. The Trustees do not directly own any of the shares or securities in the Fund and do not keep or receive documents of title for the investments. Clerical Medical receives all of these documents and is responsible for appointing a custodian to look after them.
12. All day-to-day investment decisions are delegated to properly qualified and authorised fund managers at Clerical Medical. Generally, they decide when investments should be retained or sold to ensure the scheme has enough money to pay benefits to members or change the mix of investments in the with profits fund.
13. When choosing investments, the Trustees first priority is the financial interests of the members. If they do not conflict with this objective, Clerical Medical may take account of social, ethical and environmental considerations as part of their investment process.
14. To exercise their rights (including voting rights) Clerical Medical monitor the corporate governance policies of its investment partners to ensure they take account of the ABI's overarching principle 'that institutions should make active but considered use of their voting power with the aim of securing value over the longer term for those whose money they are investing'.

Environmental, Social and Governance (ESG) factors

1. The Trustees understand that as competent investment professionals Clerical Medical routinely incorporate Environmental, Social and Governance (ESG) factors in to their investment process.
2. ESG risks are the non-financial risks an investment is exposed to. In the modern age, public companies with poor track records on environmental or social practice often suffer fines, adverse media and falling sales.
3. A vast amount of information about good and poor practice is now available to investment professionals and research suggests ESG can help improve the conduct of big businesses, their profits and in turn investment returns.
4. As the Scheme invests in a pooled fund with Clerical Medical, the Trustees cannot directly influence the policies and practices of the companies that Clerical Medical choose to invest in. As a result, the Trustees' policy is that non-financial matters should not be taken into account in the selection, retention and realisation of investments.
5. The Trustees have a fiduciary responsibility to act in the best interests of the beneficiaries of the Scheme. Given the limitations noted in point 4, the trustees have not sought, or taken account of

the beneficiaries' views on ethical issues and social and environmental impact. The Trustees will review this policy if any beneficiary views are raised in future.

6. The Trustees meet regularly and the scheme's investment strategy and relationship with Clerical Medical is included on their regular agenda. The trustees will continue to take professional advice about the investments held in the scheme.

Other Points of Note

1. The Trustees will review this document at least every three years, and without delay after any significant change in investment policy.
2. Clerical Medical periodically report on their With Profits fund and a copy of the latest document as at 31 March 2020 is available on the E H Smith website.
3. A copy of this document is available to Scheme members and beneficiaries on request and is available on the E H Smith website.

By signing below, the Trustees agree to adopt this Statement of Investment Principles, which shall replace any previous versions with effect from the date shown below.

Signed : 

D.P. Ensell

Signed : 

A.J. Parker

For the Trustees of the Pension and Life Assurance Plan of E H Smith (Westhaven) Limited and its Associated Companies

Date: 21.1.2021