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Statement of Investment Principles – Carey Group Plc Defined Benefit (DB) Scheme

Introduction

This Statement of Investment Principles (SIP) has been prepared by the Trustees of Carey Group Plc Pension Scheme (DB) to comply with the Pensions Act 1995 and has obtained and considered guidance from their Advisor.

This SIP describes the objectives and policies adopted by the Trustees of Carey Group Plc Pension Scheme.

The Trustee will review this statement regularly, at least every 3 years and following any significant change in investment policy.

Appointments

The Trustees have delegated day-to-day investment decisions and compliance to authorised Investment Managers and has taken steps to satisfy themselves that these managers have the appropriate knowledge and experience for managing Carey Group Plc's investments competently. Details of these Investment Managers are available on request.

Only persons or organisations with the necessary skills, information and resources are actively involved in the decisions made that affect the scheme. The Trustees of the scheme draw on the expertise and skills of appointed external advisers.

The appointment of Investment Managers will be reviewed by the Trustees and scheme Advisor every three years, but without delay after any significant change to the schemes investment policy. The Trustees will be assisted in Investment Manager research which is undertaken by the scheme Advisor.

Objectives

The primary objective of the Trustees is to ensure there is sufficient funds available to meet all pension and lump sum liabilities as they fall due, in addition to the overall scheme reaching a fully funded position.

The Trustees objectives in respect of the DB scheme are as follows, but not limited to;

- The Scheme's assets are invested to generate investment return to meet the recovery plan detailed in the most recent triennial report
- The primary objective is asset growth, rather than investing in mechanisms designed to match movement in liabilities
- The Trustees have a funding plan agreed with the sponsoring employer that aims to make sure there is enough money in the scheme to pay for pensions now and in the future
- The long term nature of the investment strategy and the strength of the employer covenant means that the Trustees are prepared to tolerate an acceptable level of short term volatility in the funding position
- Continue to pay pensions as Scheme Pensions paid by the sponsoring employer, instead of disinvesting any funds.

Strategy

The investment strategy adopted by the Trustees takes into consideration the decision to have investments target overall growth within the agreed risk profile, not liabilities of the scheme. The Trustees believe that assets that seek positive returns are likely to outperform more risk free assets as the time horizon lengthens, although there is no guarantee that this will be the case.

The schemes strategic asset allocation is driven by the characteristics of the scheme, including the Schemes liabilities and the risk tolerance of both the Trustee and sponsoring Employer. It is the Trustees view that active investment management where applied across the portfolio can be expected to add value.

The Trustees have considered use of both passive and active investment management when reviewing the scheme's strategy. The allocation to both styles of management has been formed following consideration of the risk v return balance, liquidity and level of transaction costs as well as the impact of Investment Manager fees on future investment returns.

Investment Managers have been set mandate specific benchmarks which have clear objectives. Where appropriate, risk parameters have been included to which each Investment Manager are expected to adhere to. The benchmarks chosen are designed to ensure the Scheme's investments are adequately diversified given the Schemes liability profile, Employer covenant and funding level.

The Trustees will maintain discretion to allocate funds to individual Investment Managers. Any decision will have considered the following;

- Whether the Investment Manager has the skills and ability to run a mandate which has a primary target of achieving overall growth

- Whether the asset classes and manager are appropriate for the overall risk, return and diversification of the total portfolio

Performance will be monitored by the Trustees using regular investment reports and by considering the different investment styles of all fund managers. Investments will be measured against their relative benchmarks, which are available upon request.

Implementation

Individual Investment Managers have discretion in the timing of the purchase and sale of investments and any consideration relating to the liquidity of those investments. The Trustees will review the agreements in place with the Investment Managers, which will include but not limited to the competitiveness of fee structures and performance based on advice from their adviser.

Liquidity

The Trustees will ensure they hold sufficient cash to meet benefit payments as and when the fall due. The Trustee holds liquid and readily realizable assets to meet unexpected cashflow requirements, so that the realization of the assets will not disrupt the scheme's overall investment strategy and policy.

Risks

Each Investment Manager executes its own stock selection policy within asset control targets agreed with the Trustees. Formal meetings are held regularly with the Investment Managers and Trustees. By using a number of Investment Managers, the risk attached to adverse performance by any one manager is reduced.

The table below, whilst not exhaustive, sets out the key risks to the scheme and are monitored regularly;

Risk	Mitigation
Funding The risk that the schemes funding falls below an appropriate level and the scheme as insufficient assets to cover liabilities.	Structuring of investments arrangements to reduce risk, with regular monitoring. Managed through assessment of the growth of liabilities and valuations.
Credit The risk that the scheme suffers a financial loss due to the default of a company in which the scheme has invested	Managed by ensuring appropriate guidelines are in place. The Trustees received regular reports from the Investment Managers for monitoring.
Investment Managers The risk arising from the failure to meet target returns	Diversification of scheme assets across a range of Investment Managers with differing styles. This is managed by the Trustees who monitor the performance of managers and receives regular reporting.
Longevity Increasing life expectancy leading to greater than expected payouts.	Scheme mortality trends and experience monitored. Sensitivity testing carried out by scheme actuaries to determine any impact of changes to the assumptions made.
Operational Risk relating to insufficient internal processes, fraud, poor advice or negligence.	Operational risk is reduced as much as possible by due diligence on the appointment and review of Investment Managers and advisers. Additional controls are in place and provided by external auditors.
Sponsor Risk The ability and willingness of the sponsoring Employer to support the continuation of the Scheme and make good any deficit, current or future.	Assessment of the interactions between both the scheme Trustees and employer.
Market Risk Measured by level of concentration of any one market leading to the potential risk of adverse influence on investment values arising from country specific issues.	Regular reviews of investments to ensure investments well diversified, in line with scheme goals.

Responsibilities

The scheme Trustees have the ultimate responsibility for the decision making on all investment matters. To ensure that such decisions relating to the investments and other matters relating to the effective running of the scheme, the Trustees use external professional bodies. These include;

Investment Managers

The Investment Manager's responsibilities include;

- Within any guidelines given by the Trustee, managing changes in the asset mix and selecting securities within each asset class
- Informing the Trustee of any changes in the internal performance objectives and guidelines of any pooled fund used by the Scheme as and when they occur.
- Having regard to the need for diversification of investments so far as appropriate and to the suitability of investments
- Giving effect to the principles contained in the Statement as far as reasonably practicable

Scheme & Investment Consultant

The Scheme & Investment Consultant's responsibilities include;

- Participating with the Trustee as appropriate in reviews of this Statement of Investment Principles in consultation with the Scheme Actuary.
- Undertaking project work as required including reviews of investment policy and Investment Managers.
- Advising on the selection of new managers.

Scheme Actuary

The Scheme Actuary's investment related responsibilities include;

- Liaising with the Investment Consultant on the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme.
- Assessing the position of the Scheme relative to its Statutory Funding Objective and advising on the appropriate response to any shortfall or surplus.
- Performing the triennial valuations and advising on the appropriate contribution levels.

Each group has a range of responsibilities not limited to those above which have been agreed by the Trustees.

Funding

The Trustees receive independent professional advice from its actuaries in order to ensure that the funding obligations under the Pensions Act 1995 and Pensions Act 2004 are complied with. The scheme is valued in order to assess its funding position in relation to the obligations to its members.

The investment policy will be reviewed by Trustee's in light of actuarial valuations of the Scheme.

Socially Responsible Investment

The Trustees primary concern is to act in the best financial interests of the Scheme, which includes its beneficiaries. The Trustees do not have a formal investment policy in relation to Environmental, Social and Governance (ESG) however do seek Investment Managers who take these matters into account, in a manner that does not prejudice the financial interests of its members. The Trustees leave such decisions to the discretion of the Investment Managers, whose decisions cannot be directly influenced in relation to its policy on ESG.

The investment asset allocation analysis takes account of material ESG issues as they affect the broad market or sectors that the scheme is exposed to. Stock specific ESG factors are assessed where they are material to a market/index. The Trustees believe that ESG factors should be considered by the Investment Managers – where relevant and material to the specific investment mandate under consideration. Any fund or investment selected by the Investment Managers will have been assessed for its approach to ESG factors as appropriate for the asset class and style.

Voting

The Trustee has delegated to its Investment Managers the exercise of rights attaching to investments, including voting rights, and engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, risks, capital structure, conflicts of interest and ESG considerations. The Trustee expects its Investment Managers to exercise ownership rights and undertake monitoring and engagement in line with the managers' general policies on stewardship, taking into account the financial interests of the beneficiaries.

Monitoring

The overall performance of the Investment Managers will be measured and reviewed by the Trustees and scheme advisor regularly. Summary reports of each investment and its performance, measured against its relative benchmark will be provided at regular Trustee meetings. Updates from each Investment Manager will be provided directly at least annually, which will include developments of significance within their organisation.

Review of SIP

The Trustees will review this statement at least every 3 years or more frequently if appropriate. The Trustees will consult with such persons as it considers appropriate and take proper advice when revising the statement.

Agreed and signed on behalf of the Trustees:

Signed: Keith Radnedge KEITH RADNEDGE

Date: 7-9-2020