RICHARDS HOGG PENSION AND LIFE ASSURANCE SCHEME

STATEMENT OF INVESTMENT PRINCIPLES - AUGUST 2022

1. INTRODUCTION

The Trustees of the Richards Hogg Pension and Life Assurance Scheme (the 'Scheme') have 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 consult Charles Taylor Administration Services Limited (the 'Employer') on both the investment strategy and this Statement's content.

The Trustees' investment manager is Charles Taylor Investment Management Company Limited ('CTIM'). CTIM's mandate is described in the Discretionary Investment Management Agreement dated 30 September 2021 and the associated Investment Guidelines. CTIM has discretion to choose asset classes, funds, and single holdings/securities to achieve the Trustees' investment objectives and investment strategy principles described below. The Scheme's assets are managed as one portfolio with multiple objectives.

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 from the Employer. This objective is interpreted as aiming to be fully funded on the technical provisions basis by the end of the Recovery Plan. The secondary objective is to aim for the Scheme to be fully funded on the long term solvency basis by the end of 2028. The long term solvency target is an estimate of the assets needed to secure all members' benefits in full with an insurer once most/all members have retired.

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 Employer's future contribution requirements.

The Trustees understand that the Employer is willing to accept some volatility in the 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 than expected).

An additional investment objective is for the Scheme's assets to be sufficiently liquid to enable all beneficiaries to be paid as and when their benefits fall due.

3. INVESTMENT STRATEGY PRINCIPLES

The key considerations when designing the Trustees' investment strategy were as follows.

(a) The overall expected investment return should exceed the required rates of return for the Scheme's assets to reach the technical provisions by the end of the Recovery Plan and to reach the long term solvency target by the end of 2028.

(b) The interest rate and inflation hedge ratios should be 100% +/- 5%, relative to the technical provisions.

(c) The invested assets should be well diversified by asset class, geographical area, industry sector, and company. This includes a mixture of equities, bonds/LDI, alternatives and cash.

(d) The invested assets, in conjunction with the agreed Employer contributions, should produce sufficient cash flow to match the assumed future benefit cash flows for the next 10 years (+/- 1 year) on a rolling basis.

4. RISK MEASUREMENT AND MANAGEMENT

The Trustees regularly review a wide range of risks to which the Scheme is exposed and mitigate 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. In addition, the Scheme does not have any direct employer-related investment, although it is possible for the Scheme to invest indirectly via the pooled funds used (expected to be negligible).

- Mismatch risk: the inherent nature of the assets and the present value of 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). The Trustees may look to further reduce the level of mismatch risk as the funding level improves.

- Active manager risk: the Trustees recognise that actively managed funds/sub-portfolios can under- or out-perform their benchmark indices. Actively managed funds are therefore used for asset classes where CTIM believes that the chosen fund manager is likely to consistently and sustainably either out-perform the benchmark index, reduce the overall volatility of investment returns, and/or to attain a return in excess of the required return to achieve the primary objective described in section 2 above. Therefore the Scheme's assets are managed through a mixture of active and passive management which may be adjusted from time to time.

- Diversification: where appropriate, CTIM diversifies across asset classes, counter-parties, and geographically. This helps to avoid excessive concentrations of risk. CTIM has discretion to invest in whatever investment vehicle they deem appropriate subject to any limitations stated in the Discretionary Investment Management Agreement dated 30 September 2021, the associated Investment Guidelines, the Trust Deed and Rules, or investment-related legislation and regulations.

- Liquidity: to pay beneficiaries, the Trustees may need to liquidate some of the invested assets to supplement the Employer contributions and the natural income produced by the invested assets. 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 selection, retention, and realisation of investments within each investment fund is delegated to CTIM or the underlying fund manager as appropriate.

- 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 collaterisation process are delegated to, and kept under regular review by CTIM and the underlying fund managers as appropriate.

- Security of assets: the custody of the assets is delegated to professional custodians. This custodian appointment is the responsibility of each underlying fund manager where a pooled fund is used, and Northern Trust Company for all pooled fund units and directly held securities (except for direct private equity investments which do not have a custodian).

- 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 performance of both the Scheme's technical provisions and long term solvency target, the progress against the Trustees' primary investment objective, the performance of the Scheme's assets against relevant benchmarks, the interest rate and inflation hedge ratios, the investment risk in the context of the Employer's covenant, the overall diversification and liquidity of the invested assets, and the net cash flow position.

The Trustees require CTIM to report on the turnover of funds/securities within the portfolio, and on the associated transaction costs, in order to assess whether such activity, and changes in it, appears reasonable.

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

6. FEE STRUCTURES

CTIM and the underlying fund managers are each paid a percentage of the market value of the assets under management. Additional performance fees may be payable to underlying fund managers. Some operational expenses are also incurred 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 constituents of the funds change over time.

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 their 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 by CTIM to aim to achieve the Trustees' 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 understand that ESG factors are more important for some asset classes than others, and 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 investments are deliberately and consciously chosen by CTIM to align with the Trustees' strategic investment policies and objectives. In addition, the fees applicable to the Scheme's investments are taken into account to ensure that these are consistent with the Scheme's investment policies and objectives, as well as being compatible with the asset class(es) used.

CTIM assesses the likelihood of each investment fund or security achieving its performance target on a medium/long term and sustainable basis.

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

The Trustees and CTIM will consider using the Scheme'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 performance versus target on an after fees basis where practical to do so. Part of this monitoring process includes the consideration of the portfolio turnover costs and whether (or not) the turnover is consistent with the overall investment philosophy and process.

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

The application of ESG factors and the stewardship of the assets (including the exercising of voting and other rights attached to investments) are delegated to CTIM (who may delegate to the underlying fund managers) and may differ depending on the objectives of each investment fund and the managers' own policies in this regard. CTIM should monitor and engage with relevant persons (including the investment managers of pooled funds held, and other stakeholders) about relevant matters such as performance, strategy, capital structure and management of any actual or potential conflicts of interest.

The Trustees obtain and review the relevant ESG, Stewardship and corporate governance policy documents for CTIM. When relevant, the Trustees will challenge CTIM on its policies. Should the Trustees' be dissatisfied with the response it will engage further with CTIM.

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.

8. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Some members have obtained further benefits by paying Additional Voluntary Contributions ('AVCs') to the Scheme's Prudential Assurance Company Plc and Equitable Life Assurance Society AVC policies. The AVCs are money purchase in nature, i.e. the liabilities in respect of these AVCs are equal to the value of the investments bought with the contributions.

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 David Habgood
David Habgood (Oct 24, 2022 10:46 GMT+1)………… Date Oct 24, 2022……………………………………

For and on behalf of the Trustees of the Richards Hogg Pension and Life Assurance Scheme.