Robert L Fleming Ltd Retirement Benefit Scheme (the "Scheme ")
Statement of Investment Principles

This Statement has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004), and the Occupational Pension Schemes (Investment) Regulations 2005.

Investment Objective

The Trustee's aim to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided. The Trustee has purchased an annuity policy to insure these benefits and minimise the risk that the Scheme is unable to meet this objective.

STRATEGY

The Scheme invests in a Bulk Purchase Annuity Agreement ("Annuity Policy") with Just Retirement Limited ("JUST"). The Annuity Policy is intended to provide a return which matches the liabilities insured for the membership of the Scheme, and remove unrewarded risks such as interest rates, inflation and longevity, that are associated with those liabilities insured.

In addition to the Annuity Policy, the Scheme holds some residual assets, expected to remain less than £2,000, invested in property with Schroders. The holdings will be liquidated with the closing down of the fund, expected by the end of 2023.

The Scheme's assets do not have an explicit return objective, rather the assets aim to deliver the benefits promised to members.

The current asset allocation strategy was determined with regard to the actuarial characteristics of the Scheme, in particular the strength of the funding position, liability profile of the Scheme, its cashflow requirements and the Trustee's objectives. The assets of the Scheme are invested in the best interests of the members and beneficiaries.

When choosing the Scheme's asset allocation strategy, the Trustee considered written advice from their investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of asset classes.
- The need for appropriate diversification.
- Alternative methods of securing members' benefits, including through an Annuity Policy.

In addition, the Trustee also consulted with the sponsoring employer when setting this strategy.

RISK

The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities (“funding risk”). The Trustee has identified a number of risks which have the potential to cause a deterioration in the Scheme’s funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors (“mismatching risk”). The Trustee and its advisers considered this mismatching risk when setting the investment strategy, however this risk has effectively been removed through the Annuity Policy now in place.
- The risk of a shortfall of liquid assets relative to the Scheme’s immediate liabilities (“cash flow risk”). The Trustee and its advisers will manage the Scheme’s cash flows taking into account the timing of future payments in order to minimise the probability that this occurs. JUST is responsible for providing the cash for benefit payments covered by the Annuity Policy, the risk that it defaults on this obligation is covered under ‘Annuity Policy default risk’ below. The remaining assets invested with Schroders are immaterial.
- The possibility of failure of the Scheme’s sponsoring employer (“covenant risk”). The Trustee and its advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence (“operational risk”). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
- The risk that JUST fail to make the pension payments covered by the Annuity Policy as they fall due (‘Annuity Policy default risk’). Having considered the credit strength of the insurer as part of their due diligence process, in addition to other factors such as the regulatory environment and other protections available (e.g., the Financial Services Compensation Scheme), the Trustee considered this to be an appropriate investment for the Scheme.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner.

The Trustee’s policy is to monitor these risks periodically.

IMPLEMENTATION

Aon has been selected as investment adviser to the Trustee. The investment adviser operates under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions themselves and to monitor those they delegate. It will be remunerated on a basis which aims to ensure that cost-effective, independent advice is received. From time to time the Trustee may take advice from another investment adviser.

The majority of the Scheme's assets are invested in an Annuity Policy with JUST. The day-to-day management of these assets is delegated to JUST. The residual assets are invested with Schroders.

The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to JUST and Schroders through a written contract.

RESPONSIBLE INVESTMENT

In setting the Scheme's investment strategy the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from their investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring performance.

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest the Scheme's assets in an Annuity Policy and therefore has limited ability to influence the environmental, social, and governance ("ESG") policies and practices of the companies in which the Annuity Policy invests. ESG considerations were a contributing factor in the selection of the Annuity Provider. Residual assets are invested in property with Schroders, where the Trustee considers ESG and climate to not present material risks.

Stewardship – Voting and Engagement

Following the purchase of the Annuity Policy, the Trustee has delegated the management of the collateral backing of the policy to JUST. This includes responsibility for stewardship activities, including voting and engagement. The Trustee accepts responsibility for how JUST stewards assets on its behalf, including the casting of votes in line with their voting policies. The Trustee does not attempt to influence the ESG integration or stewardship policies and practices of JUST in managing these assets but did consider the policies of the insurer at the point of purchasing the buy-in, to the extent it was practical, to ensure the policies were in line with the Trustee's beliefs.

The Trustee believes it has a limited ability to incentivise JUST to align its investment strategy and decisions with the Trustee's policies in relation to stewardship, corporate governance and responsible investment. However, given the nature of the bulk annuity policy, the Trustee believes that JUST is appropriately incentivised to make decisions relating to the medium and long term financial and non-financial factors which may influence performance.

The Trustee expects JUST to be signatories to relevant initiatives which may include the UN Principles for Responsible Investment, and where relevant adopt, the Financial Reporting Council's UK Stewardship Code for the asset classes in which they invest.

Should the Trustee be provided with any opportunity which it deems appropriate to incentivise JUST in relation to these areas it will consider this and will take steps as it deems appropriate.

The Scheme's residual assets are invested in property with Schroders. Given the relatively small proportion of Scheme assets invested with Schroders and the limited materiality of stewardship to these asset classes, the Trustee does not have a formal stewardship policy in place for these assets.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy the Trustee does not take into account the views of Scheme's members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

COST MONITORING

Following the purchase of the Annuity Policy, responsibility for monitoring costs of the majority of the Scheme's assets has been delegated to JUST. The Trustee therefore does not monitor costs relating to the Policy. The Trustee paid a premium to JUST when the Annuity Policy was initiated, and as a result there are no ongoing fees in respect of the Policy.

Residual assets are invested in property with Schroders. Given the relatively small proportion of assets invested with Schroders, the Trustee does not have a formal Cost Monitoring policy in place for these assets.

Targeted portfolio turnover is defined as the expected frequency with which an investment manager's fund holdings change over a year. Given the Scheme's assets are invested in the Annuity Policy, the Trustee does not monitor portfolio turnover.

THE ARRANGEMENTS WITH INVESTMENT MANAGERS

Before entering into the Annuity Policy with JUST, the Trustee reviewed the governing documentation associated with the Policy and considered the extent to which it aligned with the Scheme's requirements. Following the purchase of the Annuity Policy, and with the exception of the residual assets, the responsibility for managing arrangements with the underlying asset managers lies with JUST. This responsibility may include ensuring that arrangements with appointed asset managers are aligned to achieving the medium and long-term objectives of JUST and as established within the contractual terms of the Annuity Policy of the Scheme.

Given the relatively small proportion of residual assets invested outside of the Annuity Policy, and the nature of the investments held, the Trustee does not maintain a policy for the arrangements with Schroders.

No performance monitoring is carried out in relation to the Annuity Policy however checks are carried out to ensure the payments received from the policy are in line with expectations.

There is no set duration for arrangements with the Annuity Provider, whereas the Schroders holdings will be redeemed with the liquidation of the fund, expected in 2023.

GOVERNANCE

The Trustee is responsible for the investment of the Scheme's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision making structure:

Trustee • Determines investment objective, selects and monitors planned asset allocation strategy, and evaluates success of the overall investment strategy • Selects / Monitors / retains / terminates investment advisors, fund managers, trustee and other service providers • Sets structures and processes for carrying out its role • Selects direct investments • Consults with the sponsoring employer
Investment Adviser • Advise on all aspects of the investment of the Scheme's assets including implementation • Advise on this statement • Advise on required training
Investment Managers • Operate within the terms of this statement and their written contracts • Buy and sell individual investments with regard to their suitability and diversification • Advise the Trustee on the suitability of the indices in their benchmark
Annuity Provider • Manages annuity policy to pay the agreed liabilities of the Scheme

Direct Investments

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The Trustee's policy is to review their direct investments and to obtain written advice about them regularly. These include vehicles available for members' Additional Voluntary Contributions (AVCs). When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund managers.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against a set criteria which takes into account the best interests of the members and beneficiaries, the security, quality, liquidity and profitability of the investments, as well as the nature and duration of liabilities. Also of consideration is diversification, the ability to trade on regulated markets and the use of derivatives.

Other Governance Issues

The Trustee's investment adviser has the knowledge and experience required under the Pensions Act 1995 to act within an investment capacity for the Scheme.

The Trustee expects the annuity provider to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable.

Document Maintenance

The Trustee will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

Effective Date: June 2023