XPS Group

Churchill Group Retirement Benefits Scheme

Statement of Investment Principles

September 2024

Statement of Investment Principles

The Trustees of the Churchill Group Retirement Benefits Scheme ("the Scheme") have prepared this Statement of Investment Principles ("the SIP") in accordance with the Pensions Act 1995 ("the Act") as amended and the Occupational Pension Scheme (Investment) Regulations 2005 as well as the principles recommended by the Myners Code.

It supersedes any previous SIP and reflects the investment policy agreed by the Trustees in respect of assets covering Defined Benefit liabilities and AVCs.

This SIP will be reviewed at least every three years or whenever changes to the principles or strategy are necessary. Any changes to this Statement will be undertaken on the advice of authorised investment consultants, as will any appointment or review of the Investment Managers.

Before preparing this SIP, the Trustees have:

- Obtained and considered the written advice from the Scheme's Investment Consultant, XPS Investment Limited, who is suitably qualified through ability and experience and has appropriate knowledge.
- Consulted the Principal employer.

Choosing investments

The Trustees set the investment strategy and investment policies for the Scheme and in doing so, have considered the Scheme's liabilities and strength of Employer covenant.

The Trustees rely on Investment Managers for the day-to-day management of the Scheme's assets but retain control over all decisions made about the investments in which the Scheme invests.

Where Investment Managers are delegated discretion under Section 34 of the Act, the Investment Manager will exercise their investment powers in accordance with the Act, relevant and subsequent regulations, and this SIP.

The Investment Managers are authorised and regulated to provide investment management services to the Scheme. Within the UK, the authorisation and regulation of the Investment Managers falls under the Financial Conduct Authority (FCA). Specific products in which the Scheme invests may also be regulated by the Prudential Regulatory Authority (PRA). For non-UK Investment Managers, authorisation and regulation is undertaken by the home state regulator.

The Trustees rely on the Investment Managers to appoint appropriate Custodians for pooled funds who are responsible for the safekeeping of the assets of the Scheme.

The Trustees rely on the Investment Managers to appoint appropriate Administrators or Registrars for pooled funds who are responsible for keeping records of the Scheme's entitlement within the pooled funds.

The Trustees have full regard to their investment powers under the Trust Deed and Rules and the suitability of different types of investments, the need to diversify, the custodianship of assets and any self-investment.

Investment objective and strategy

Investment objective

The Trustees have set the following objective:

- To achieve a fully funded position on a long-term liability basis;
- To implement an investment strategy that ensures sufficient assets are maintained to satisfy all statutory funding objectives;
- To acquire suitable assets to achieve the above objective whilst controlling volatility and the long-term costs of the Scheme;
- To further reduce risk when the opportunity arises to do so without impacting on the Scheme's ability to achieve the target objective; and
- To adhere to the provisions contained within this SIP.

Investment strategy

The Trustees intend to meet the investment objective by investing in a diversified portfolio of return-seeking and liability-matching assets.

The Trustees can utilise a wide range of passively and actively managed investments, including (but not limited to):

- Assets or funds primarily utilised to match liability risk (typically movements in long-term interest rates and inflation).
- Assets or funds primarily used to outperform the liabilities over the long-term including equity, private markets, hedge funds, commodities, currency, bonds and other forms of credit, property, infrastructure, and insurance. Illiquid assets can be used where a higher return or lower risk is expected.
- Assets or funds primarily used to provide immediate liquidity such as cash or cash instruments.
- Assets or funds that combine liability outperformance, liability hedging or liquidity characteristics.
- Annuity or insurance policies designed to match the specific characteristics of the Scheme's liabilities or membership.

The actual strategy adopted for the Scheme, including the allocation to different assets, and expected returns is set out in the Appendix.

Investment restrictions

The Trustees intend to adhere to the following restrictions:

- No more than 5% of Scheme assets can be held in investments related to the Employer.
- Whilst borrowing on a temporary basis is permitted, this option will only be utilised where absolutely necessary or where it is expected to reduce overall risk (e.g., for very short time periods during an asset transfer).
- Investment in derivative instruments may only be made where they contribute to risk reduction or facilitate efficient portfolio management.

- Stock lending is permitted at the discretion of the Scheme's Investment Managers in line with their overall investment objectives, policies and procedures.

Investment risk

The Trustees have identified a number of risks including (but not limited to):

- Employer covenant risk
- Liability risks: Interest rate risk, Inflation risk, Longevity risk
- Asset risks: Equity risk, Property risk, Currency risk Credit risk, Interest rate risk, Inflation risk, credit default risk
- Strategy risks: Asset allocation risk, Liquidity risk (including collateral risk), Growth asset risk (including currency risk)
- Implementation risks: Investment manager risk, Counterparty risk, Operational risk

These risks are measured and managed by the Trustees as follows:

- The Trustees have set an investment strategy that adheres to the contents of this SIP.
- The Trustees receive strategic investment advice from the Investment Consultant that may include risk modelling and quantification (e.g. Value at Risk) whenever strategic changes are considered.
- The Trustees undertake regular monitoring of the Scheme's investments supplemented by information provided by both the Investment Managers and Investment Consultant, as well as advice from the latter.
- The Trustees periodically monitor, with the Scheme Actuary, the statutory funding position.
- The Trustees periodically assess the strength of the principal employer covenant and uses external expertise where appropriate.
- The Trustees delegate the day-to-day management of some of these risks to the appointed Investment Managers.
- The Trustees consider the Investment Managers' role and approach to managing risk is considered when selecting appropriate Investment Managers.
- The Trustees utilise custodian relationships to ensure Scheme assets are held securely.
- The Trustees assess whether appropriate controls are put in place by themselves, the Investment Consultant, Investment Managers and Custodians (where there is a direct relationship).

Realising investments

The Trustees recognise that assets may need to be realised to meet Scheme obligations at any time.

The Trustees will ensure that an appropriate amount of readily realisable assets are held at all times, and this will be part of the assessment for including new investments within the strategy.

The Trustees will from time to time agree a policy for sourcing cash from the investments as required. Further details are set out in the Appendix.

Suitability of investment strategy

The Trustees consider that the investment strategy detailed in the Appendix will ensure that the assets of the Scheme include suitable investments that are appropriately diversified and provide a reasonable expectation of meeting the objectives.

Based on the allocation set out in the Appendix, the Trustees consider the arrangements with the Investment Managers to be aligned with the Scheme's overall strategic objectives. Details of each specific mandate are set out in the agreements and pooled fund documentation with each Investment Manager. The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them through asset allocation parameter set by the Trustees or governing the pooled funds in which the Scheme is invested.

The Trustees will ensure that the Scheme's assets are invested in regulated markets to maximise their security.

Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Scheme's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustees' expectations.

The Trustees encourage Investment Managers to make decisions in the long-term interests of the Scheme. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights. This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns. As covered in more detail below, the Trustees also require the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustees believe these factors could have a material financial impact in the long-term. The Trustees therefore make decisions about the retention of Investment Managers, accordingly.

Investment Manager Review process

Appointments of Investment Managers are expected to be long-term, but the Trustees will review the appointment of the Investment Managers in accordance with their responsibilities.

The Trustees receives regular performance monitoring updates from the Investment Consultant which consider performance over various periods. In addition, any significant changes relating to the ratings criteria that the Investment Consultant is aware of will be highlighted, which may lead to a change in the Investment Consultant's rating for a particular mandate. These ratings help to determine an Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustees may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend Trustee meetings as requested.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustees' policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

Portfolio turnover

The Trustees require the Investment Managers to be able to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.

Responsible investment

The Trustees have considered the approach to environmental, social and corporate governance ("ESG") factors for the long-term time horizon of the Scheme and believe there can be financially material risks relating to them. The Trustees require the Scheme's Investment Managers to take ESG and climate change risks into consideration within their decision-making, in relation to the selection, retention or realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees will seek advice from the Investment Adviser on the extent to which its views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. Furthermore, the Trustees, with the assistance of the Investment Adviser, will monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this Statement.

As the Scheme invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. The Trustees have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the Investment Managers. The Trustees encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees.

In order to ensure sufficient oversight of the engagement and voting practices of their managers, the Trustees may periodically meet with their investment managers to discuss engagement which has taken place. The Trustees will also expect their investment adviser to engage with the managers from time to time as needed and report back to the Trustees on the stewardship credentials of their managers. The Trustees will then discuss the findings with the investment adviser, in the context of their own preferences, where relevant. This will include considering whether the manager is a signatory to the UK Stewardship Code. The Trustees recognise the Code as an indication of a manager's compliance with best practice stewardship standards.

Should the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are misaligned with the Trustees' expectation, then the Trustees may consider terminating the relationship with that Investment Manager.

When considering the selection, retention or realisation of investments, the Trustees have a fiduciary responsibility to act in the best interests of the beneficiaries of the Scheme, although they have neither sought, nor taken into account, the beneficiaries' views on matters including (but not limited to) ethical issues and social and environmental impact. The Trustees will review this policy if any beneficiary views are raised in future.

Signed on behalf of the Trustees: [redacted]

Signature: .... [redacted]

Name: Kate Leigh

Date: 11/9/2024

Appendix - Investment strategy

Overall strategy

The investment strategy of the Scheme is summarised in the table below.

Asset class	Strategic allocation	Expected return (above gilts p.a.)	Manager and fund	Manager Objective	AMC (p.a.)
Physical Matching Assets	46%	-0.1%	Schroders Matching Index-Linked Gilt Funds	The portfolio provides liability hedging by offering interest rate and inflation protection with the aim of liability matching.	0.10%
Investment Grade Buy & Maintain Credit	24%	0.9%	Schroders Buy & Maintain Credit 2032-2040 Fund	The fund targets bonds with maturities between 2032 and 2040. The fund matures over time and distributes both coupon and maturity proceeds quarterly in order to provide a cashflow generative, hold to maturity approach.	0.13%
	24%	0.9%	Schroders Buy & Maintain Credit Over 2037 Fund	The fund targets bonds with maturities over 2037. The fund matures over time and distributes both coupon and maturity proceeds quarterly in order to provide a cashflow generative, hold to maturity approach	0.13%
Cash	6%	-0.1%	Schroders Cash Fund	The Fund has a cumulative objective of (i) offering returns in line with SONIA and (ii) preserving the value of the investment, by investing in money market instruments denominated in sterling and issued by governments, government agencies and companies worldwide.	0.10%
	100%	0.4%			0.1%

Return expectations quoted above are best estimates for long-term returns using XPS internal return assumptions as at 30 June 2024.

Rebalancing investments

The Scheme does not have any formal rebalancing arrangements in place. The Trustees will review the allocation quarterly and if required will instruct the Investment Managers to rebalance towards the strategic allocation.

Realising investments

Where assets need to be realised to meet member benefits, the Trustees will consult with the Investment Consultant regarding the source and timing of disinvestments.

AVCs

The Trustees hold assets invested separately from the main fund with Scottish Widows and Prudential Assurance Company Limited.

The Trustees have full discretion as to the appropriate vehicles made available for members' AVCs. Only investment vehicles normally considered suitable for AVC investment will be considered by the Trustees, with advice taken from properly qualified and authorised consultants.

Registration

XPS Pensions Consulting Limited, Registered No. 2459442. XPS Investment Limited, Registered
XPS Pensions Limited, Registered No. 3842603. XPS Administration Limited, Registered No.
XPS Pensions (RL) Limited, Registered No. 5817049. XPS Pensions (Trigon) Limited, Registe
Penfida Limited Registered No. 08020393.

All registered at: Phoenix House, 1 Station Hill, Reading RG1 1NB.

Authorisation

XPS Investment Limited is authorised and regulated by the Financial Conduct
general insurance business (FCA Register No. 528774).

This communication should not be relied upon for detailed advice or tak
law.