R C Treatt & Co Limited
Pension and Assurance Scheme

Statement of Investment Principles

January 2024

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1. Introduction

1.1. This is the Statement of Investment Principles prepared by the Trustees of the R C Treatt & Co Limited Pension and Assurance Scheme ("**the Scheme**"). This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004;
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010;
- the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018; and
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2. In preparing this statement the Trustees have consulted with R C Treatt & Co Limited ("**the Employer**"), the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultants. Barnett Waddingham LLP is authorised and regulated by the Financial Conduct Authority.

1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.

1.4. The Trustees will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.

1.5. The investment powers of the Trustees are set out in Clause 5.4 of the Definitive Trust Deed & Rules, dated 23 December 2003. This statement is consistent with those powers.

2. Choosing investments

2.1. The Trustees' policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.

2.2. The day-to-day management of the Scheme's assets is delegated to one or more investment managers. The Scheme's investment managers are detailed in the Appendix to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority and are responsible for stock selection and the exercise of voting rights.

2.3. The Trustees review the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustees will also consult the Employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustees have discussed key investment objectives considering an analysis of the Scheme's liability profile as well as the constraints the Trustees' face in achieving these objectives. As a result, the Trustees' main investment objectives are:

- to ensure that the Scheme can meet the members' entitlements under the Trust Deed and Rules as they fall due;

- to manage the expected volatility of the returns achieved to control the level of volatility in the Scheme's required contribution levels;
- to invest in assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from the Employer, the cost of current benefits which the Scheme provides;
- to reduce the risk of the assets failing to meet the liabilities over the long term;
- to minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the above objectives.

3.2. The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities. The Trustees have obtained exposure to investments that they expect will meet the Scheme's objectives as best as possible.

4. Kinds of investments to be held

4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property, and alternatives.

4.2. The Trustees monitor from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically, this check is carried out annually by the Scheme's auditors.

5. The balance between different kinds of investments

5.1. The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within the Appendix to this Statement.

5.2. The Trustees consider the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendix to this Statement.

5.3. From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation to accommodate any short-term cashflow requirements or any other unexpected items.

5.4. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation will be expected to change as the Scheme's liability profile matures.

6. Risks

6.1. The Trustees have considered the following risks for the Scheme regarding its investment policy and the Scheme's liabilities, and considered ways of managing/monitoring these risks:

Risk versus the liabilities	The Trustees will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Scheme's Statement of Funding Principles.
Covenant risk	The creditworthiness of the Employer and the size of the pension liability relative to the Employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
Solvency and mismatching	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's funding basis.
Asset allocation risk	The asset allocation is detailed in the Appendix to this Statement and is monitored on a regular basis by the Trustees.
Investment manager risk	The Trustees monitor the performance of each of the Scheme's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustees have a written agreement with each investment manager, which contains several restrictions on how each investment manager may operate.
Governance risk	Each investment manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the managers' practices in their annual Implementation Statement
ESG/Climate risk	The Trustees have considered long-term financial risks to the Scheme and concluded that ESG factors as well as climate risk are potentially financially material. They will continue to develop their policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across several individual shares and securities.
Liquidity risk	The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cashflow requirements. The Scheme's administrators assess the level of cash held to limit the impact of the cashflow requirements on the investment policy.

Currency risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g., default risk, operational errors, or fraud).

7. Expected return on investments

7.1. The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.

7.2. The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

7.3. In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.

7.4. Having established the investment strategy, the Trustees monitor the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position. The Trustees meet the Scheme's investment managers as frequently as is appropriate to review performance.

8. Realisation of investments

8.1. The Trustees have delegated the responsibility for buying and selling investments to the investment managers. The Trustees have considered the risk of liquidity as referred to above.

8.2. Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustees know the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

9. Financially material considerations, the exercise of rights and engagement activities and non-financial matters

Policy on financially material considerations

9.1. The Trustees believe that Environmental, Social and Governance ("ESG") factors, including but not limited to climate change, are financially material – that is, they have the potential to impact the value of the Scheme's investments from time-to-time. The Trustees appreciate that the method of incorporating ESG in the investment strategy and process will differ between asset classes. A summary of the Trustees' views for each asset class in which the Scheme invests is outlined below.

Passive equities

9.2. The Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme's passive equities over the Trustees' intended time horizon for the investment in question. The Trustees accept that fund managers must invest in line with the specified index and, therefore, may not be able to disinvest if they have concerns relating to ESG. The Trustees therefore require that the fund manager considers ESG considerations by engaging with companies and by exercising voting rights. However, the process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

Multi Asset Credit

9.3. The Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme's multi asset credit holdings over the Trustees' intended time horizon for the investment in question. The Trustees therefore require the fund manager to consider ESG issues when selecting investments. The Trustees recognise that the fund manager will hold a blend of underlying asset class and some of which, such as fixed income assets, do not typically provide voting rights; they support engagement with companies by the fund manager. The process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

Corporate bonds

9.4. The Trustees believe that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme's bond fund holding over the Trustees' intended time horizon for the investment in question. The Trustees therefore require the fund manager to consider ESG issues when selecting investments. The Trustees recognise that fixed income assets, do not typically provide voting rights; they support engagement with companies by the fund manager. The process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

9.5. The Trustees are comfortable that the funds currently invested in by the Scheme are managed in accordance with their views on financially material factors, as set out above. This position is monitored periodically. Through their investment consultant the Trustees will request that all the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis. In the future, the views set out above will be considered when appointing and reviewing managers.

Policy on the exercise of voting rights and engagement activities

9.6. The Trustees' policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustees' behalf. In doing so, the Trustees expect that the investment managers will use their influence as major institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

9.7. The Trustees will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact, and corporate governance) by requesting the relevant information.

9.8. Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustees will monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustees will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

9.9. The Trustees acknowledge the importance of ESG and climate risk within their investment framework. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

9.10. The Trustees are of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e., that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

9.11. The Trustees consider it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.

9.12. The Trustees also consider it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

9.13. Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustees have made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry, and its regulators, place on them.

9.14. The Scheme's investment consultant is independent, and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflict of interest.

9.15. The Trustees expect all investment managers to have a conflict-of-interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees, investment manager and the investee companies.

9.16. In selecting and reviewing their investment managers, where appropriate, the Trustees will consider investment managers' policies on engagement and how these policies have been implemented.

Policy for taking into account non-financial matters.

9.17. The Trustees do not consider any non-financial matters, such as members' ethical views, social and environmental impact, when constructing the investment strategy and/or when selecting or reviewing fund managers.

10. Policy on arrangements with asset managers

Incentivising alignment with the Trustees' investment policies

10.1. Prior to appointing an investment manager, the Trustees discuss the investment manager's approach to the management of ESG and climate related risks, and how their policies are aligned with the Trustees' own investment beliefs.

10.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees also consider how ESG, and climate risk are integrated into these. If the Trustees deem any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.

10.3. The Trustees monitor the investment managers' approach to ESG and climate related risks on an annual basis.

10.4. If an investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be reviewed.

Incentivising assessments based on medium to long term, financial and non-financial considerations

10.5. The Trustees are mindful that the impact of ESG and climate change has a long-term nature. However, the Trustees recognise that the potential for change in value because of ESG and climate risk may occur over a much shorter term than climate change itself.

10.6. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over a rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expect this longer term performance target to be sufficient to ensure an appropriate alignment of interests.

10.7. The Trustees expect investment managers to be voting and engaging on behalf of the Scheme's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment managers to achieve any short term targets.

Method and time horizon for assessing performance

10.8. The Trustees monitor the performance of their investment managers over medium to long term periods that are consistent with the Trustees' investment aims, beliefs and constraints.

10.9. The Scheme invests exclusively in pooled funds. The investment manager is remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less.

10.10. The Trustees believe that this fee structure enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

10.11. The Trustees ask the Scheme's investment consultant to assess if the asset management fee is in line with the market when the manager is selected.

Portfolio turnover costs

10.12. The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments.

10.13. During the investment manager appointment process, the Trustees may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices.

Duration of arrangement with asset manager

10.14. For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers.

10.15. The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

11. Agreement

11.1. This statement was agreed by the Trustees and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the Employer, the investment managers, the actuary, and the Scheme auditor upon request.

Signed:... **Date:**.....................

On behalf of the Trustees of the
R C Treatt & Co Limited Pension and Assurance Scheme

Appendix 1 Note on investment policy of the Scheme in relation to the current Statement of Investment Principles

1. The balance between different kinds of investment

The Trustees have a strategic asset allocation that has been agreed after considering the Scheme's liability profile, funding position, strength of the Employer's covenant, expected return of the various asset classes and the need for diversification. The Trustees' strategic asset allocation is to back the pensioner liabilities with investments in Bonds, and to back the non-pensioner liabilities with investments in Equities, Multi Asset Credit and Corporate Bonds. As at 27 October 2023 , this strategic asset allocation was as set out in the table below.

Portfolio	Asset class	Allocation
Growth portfolio	**Equities** Legal & General Future World Global Equity Index Fund Legal & General Future World Global Equity Index Fund GBP Hedged	**30%** 15% 15%
	Multi Asset Credit M&G Total Return Credit Investment Fund	**13%**
Protection portfolio	**Corporate Bonds** Legal & General Core Plus Fund	**22%**
	Government Bonds Legal & General All Stocks Index-Linked Gilts Legal & General Over 15 Year Gilts Index Fund	**35%** 20% 15%
Total		**100%**

In December 2023, an interim de-risked strategy was implemented. As a result, the equity allocation of the portfolio was reduced to 30% and the asset allocation to gilts was increased to 35.2%. This included an investment in a new fixed interest gilt fund.

The investment strategy will tend to result in a gradual increase in the allocation to Bonds and a reduction in the allocation to Equities over time, in line with the maturing of the liability profile of the Scheme.

The Trustees review the strategic asset allocation at least every three years following the completion of each formal Actuarial Valuation, or if there is a significant change in the liability profile during any inter-valuation period.

Rebalancing

The Trustees monitor the actual asset allocation against the strategic allocation at each meeting and may make switches to rebalance the allocation closer to the strategic allocation. The Trustees recognise that the asset allocation of investments in different asset classes may vary over time because of market movements. The Trustees seek to maintain a balance between maintaining the asset allocation in line with its strategic allocation and limiting the costs of rebalances. The Trustees also use investments and disinvestments to move the asset allocation closer to the strategic allocation (see section 4 below).

2. Choosing investments

The Trustees have appointed the following investment managers to carry out the day-to-day investment of the Scheme:

- Legal & General Investment Management ("Legal & General")
- M&G plc ("M&G")

The investment managers are authorised and regulated by the Financial Conduct Authority.

The investment benchmarks and objectives for each investment manager are given below:

Investment manager	Fund	Benchmark	Objective
Legal & General	Legal & General Future World Global Equity Index Fund GBP	Solactive L&G ESG Global Markets Index	To track the benchmark return
	Legal & General Future World Global Equity Index Fund GBP Hedged	Solactive L&G ESG Global Markets Index (Hedged)	To track the benchmark return
	Core Plus Fund	iBoxx £ Non-Gilt All Stocks Index	To achieve the benchmark return plus 1.15% pa gross of fees over rolling 3 year periods.
	All Stocks Index-Linked Gilts	All stock index-linked treasury	To track the benchmark
	Over 15 Year Gilts Index Fund	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	To track the benchmark
M&G	Total Return Credit Investment Fund	n/a	1 month Sonia/Euribor +3 to 5% gross over a cycle

The performance of the investment managers will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

3. Fee agreements

The fee arrangements with the investment managers are summarised in the Trustees' Investment Manager Arrangement Summary document.

4. Investments and disinvestments

Investments and disinvestments will be made so as to move the asset allocation closer to the strategic allocation.