

Ronseal Pension Scheme (“the Scheme”)
Statement of Investment Principles (“SIP”)

Scheme Investment Objective

The Trustees aim to invest the assets of the Scheme prudently with the intention that the benefits promised to members are provided. In setting investment strategy, the Trustees first considered the lowest risk asset allocation that they could adopt in relation to the Scheme's liabilities. The asset allocation strategy they have selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Scheme's liabilities. In setting the investment strategy the Trustees take an integrated approach to risk management which considers the covenant strength of the sponsoring employer and the Scheme's funding strategy.

Strategy

The long term **planned asset allocation strategy** chosen to meet the objective above is set out in the table below. The Trustees will monitor the actual asset allocation versus the target weight.

Asset Class	Target Weighting %
Global Equity	40
Bonds	
<i>Fixed interest gilts</i>	5
<i>Index linked gilts</i>	45
Property	10

Over the short-medium term, the asset values may deviate from the above weightings due to returns on investments. There is no set range on the amount that the assets will be allowed to deviate from these weightings. The Trustees will review the position regularly and if in their view, and with consultation from their investment advisors, it is necessary, they will rebalance back to the long term benchmark.

The planned asset allocation strategy was determined with regard to the actuarial characteristics of the Scheme, in particular the strength of the funding position and the liability profile. The Trustees assume that equities and property will outperform gilts over the long term. However, the Trustees recognise the potential volatility in equity returns, particularly relative to the Scheme's liabilities, and the risk that the fund managers do not achieve the targets set.

When choosing the Scheme's asset allocation strategy the Trustees 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 each asset class.
- The need for appropriate diversification.

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

Risk

The Trustee maintains a 'Statement of Funding Principles' which specifies that the funding objective is to have sufficient assets so as to make provision for 100% of the Scheme's liabilities as determined by an actuarial calculation.

The Trustees recognise that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustees have 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 Trustees and their advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("cash flow risk"). The Trustees and their 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.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustees ("manager risk"). This risk is considered by the Trustees and their advisers both upon the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustees and their advisers considered this risk when setting the Scheme's investment strategy.
- The possibility of failure of the Scheme's sponsoring employer ("covenant risk"). The Trustees and their 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 Trustees have sought to minimise such risk by ensuring that appropriate indemnity insurance cover is in place, 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.

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- The risk that environmental, social and governance factors can impact future returns (“risk of ESG factors”). The Trustees acknowledge that ESG factors can have a financially material impact on the future returns on its investments and the Trustees’ actions to mitigate these is detailed later in this document.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

Having set an investment objective which relates directly to the Scheme’s liabilities, the Trustee’s policy is to monitor, where possible, these risks periodically. The Trustee receives periodic reports showing:

- Performance versus the Scheme investment objective.
- Performance of the individual fund manager versus their respective targets.
- Any significant issues with the fund manager that may impact their ability to meet the performance targets set by the Trustee.

Implementation

Kerr Henderson (Consultants and Actuaries) Limited have been selected as investment adviser to the Trustees. They operate under an agreement to provide a service that ensures the Trustees are fully briefed to take decisions themselves and to monitor those they delegate. Kerr Henderson (Consultants and Actuaries) Limited are paid on a fixed fee basis for all the investment work they undertake for the Scheme, although time costed work may be negotiated by the Trustees for certain projects. This structure has been chosen to ensure that cost-effective, independent advice is received.

The Trustees, with guidance from Kerr Henderson (Consultants and Actuaries) Limited, have appointed Legal & General Investment Management (LGIM) to manage the Scheme’s investments. LGIM is authorised and regulated by the Financial Conduct Authority.

LGIM's investment objectives for each fund are as follows:

Fund Name	Asset Class and Investment Style	Fund Description
LGIM World Equity Index	Equities-Passively Managed	The fund aims to track the performance of the FTSE World Index (less withholding tax if applicable) to within +/-0.5% per annum for two years out of three.
LGIM Over 5 year Index-Linked Gilts Index	UK Government Bonds-Passively Managed	The fund aims to track the performance of the FTSE A Index-Linked (Over 5 Year) Index to within +/- 0.25% per annum for two years in three.
LGIM Over 15 Year Gilts Index	UK Government Bonds-Passively Managed	The fund aims to track the sterling total return of the FTSE A Government (Over 15 Year) Index to within +/- 0.25% per annum for two years in three.
LGIM Managed Property	Property – Actively managed	The fund aims to outperform the AREF/IPD UK Quarterly All Balanced Property Funds Index over three and five year periods.

The Trustees have delegated all day-to-day decisions about the investments that fall within the mandate, including the realisation of investments, to each fund manager through a written contract. When choosing investments, the Trustees and the fund manager (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Plans (Investment) Regulations 2005 (regulation 4). The managers' duties also include:

- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Voting and corporate governance in relation to the Scheme's assets including taking into account the Institutional Shareholders' Committee Statement of Principles on the responsibilities of Institutional Shareholders and Agents.

Voting activity

The Trustees review the statements of corporate governance issued by their fund manager and monitor voting activity regularly.

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The Trustees' policy is to invest in pooled investment vehicles. It is the Investment Manager that is responsible for the exercise of rights (including voting rights) attaching to these investments.

The Trustees' policy in relation to any rights (including voting rights) attaching to its investments is to exercise those rights to protect the value of the Scheme's interests in the investments, having regard to appropriate advice. The Trustees expect the Investment Manager to engage with investee companies (and other relevant persons including, but not limited to, investment managers, issuers/other holders of debt and equity and other stakeholders) on aspects such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, corporate governance, social and environmental issues concerning the Trustees' investments. The Trustees believe that such engagement will protect and enhance the long-term value of its investments.

ESG policy

The Trustees' policy towards financially material considerations (including, but not limited to, environmental, social and governance considerations, including climate change) is to monitor the investment manager to whom they delegate this function through investment in pooled funds. The investment manager produces regular reports on their engagement with companies on environmental, social and governance considerations.

The Trustees recognise the importance of ESG factors on long term investment performance and both immediate and future downside risks. The Trustees have set an appropriate monitoring framework to ensure the Scheme's Investment Manager is regularly reviewed. The monitoring framework is intended to promote greater transparency and improved understanding of the reasons behind performance trends and key risk exposures. The Trustees recognise the importance of regular monitoring of the Investment Manager's performance, remuneration and compliance against ESG policy to ensure that the Scheme's assets are being managed appropriately. Regular monitoring and communication with the Investment Manager, with specific reference to ESG factors, will incentivise the Scheme's Investment Manager to assess and improve the medium to long-term performance of investee companies, both financial and non-financial.

In addition to performance measures, the Trustees will review the engagement activity of the Investment Manager to ensure that active engagement is taking place where possible to influence positive change in relation to ESG factors within investee companies. The Trustees will also monitor the voting activity of the Investment Manager to ensure votes are being used and are aligned to their views on ESG.

The remuneration of the investment manager is not directly linked to performance, given the absence of performance related fees, or to ESG

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practices. However, the Trustees will review and replace the investment manager if net of fees investment performance, risk characteristics and ESG practices are not in line with the Trustees' expectations and views.

If the Trustees believe that the Scheme's Investment Manager is no longer acting in accordance with the Trustees' policies, including those regarding ESG and engagement with investee organisations to assess and improve their medium to long-term financial and non-financial performance, the Trustees will take the following steps:

- engage with the Investment Manager in the first instance, in an attempt to influence its policies on ESG and stewardship; and
- if necessary, look to appoint a replacement Investment Manager or managers which are more closely aligned with the Trustee's policies and views.

The Trustees believe that these steps will incentivise the investment manager to align its actions with the Trustees' policies and also for it to act responsibly.

The Trustees, with guidance from Kerr Henderson (Consultants and Actuaries) Limited, have chosen to invest in open-ended pooled funds. For these funds, the Trustees' policy is to enter arrangements with no fixed end date. However, the Trustees will seek to enter arrangements where it has the power to terminate these in line with the liquidity of the underlying assets and as agreed in the mandate. The Scheme's open-ended investments are weekly dealt (and for the property fund, monthly dealt). The Trustees will determine whether to terminate such arrangements on an ongoing basis through its regular monitoring of the Investment Manager's performance against objectives. The Trustees may also elect to terminate the arrangement with the Investment Manager when performing ongoing reviews of the suitability of the Scheme's asset allocation over time.

Non-financial matters (i.e. the views of the members and beneficiaries including (but not limited to) their ethical views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the Scheme) are not taken directly into account in the selection, retention and realisation of investments due to the relative size of the Scheme assets, the time and resources available to the Trustees and the fact that assets are mainly invested in index-tracking funds. Non-financial matters include the views of the members and beneficiaries, including their ethical views in relation to the social and environmental impact on their present and future quality of life.

Governance

The Trustees are responsible for the investment of the Scheme's assets. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take themselves and which to delegate, the Trustees have taken into account whether they have the appropriate training and expert advice in order to take an informed decision. The Trustees have established the following decision making structure:

<p>Trustees</p> <ul style="list-style-type: none"> • Monitor actual returns versus Scheme investment objective. • Set structures and processes for carrying out their role. • Select and monitor planned asset allocation strategy, including ESG considerations and implementation. • Select and monitor direct investments (see below). • Select and monitor investment advisers and fund managers. • Make ongoing decisions relevant to the operational principles of the Scheme's investment strategy 	
<p>Investment Adviser</p> <ul style="list-style-type: none"> • Advise on all aspects of the investment of the Scheme assets, including ESG and implementation. • Advise on this statement. • Provide required training. 	<p>Fund Managers</p> <ul style="list-style-type: none"> • Operate within the terms of this statement and their written contracts. • Comment, where applicable, on the suitability of the indices in their benchmark. Be responsible for the stewardship of underlying 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, eg the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments**.

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

The written advice will consider the issues set out in the Occupational Pension Scheme (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustees (or, to the extent delegated, by the fund managers) against the following criteria:

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- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives
- Foreign exchange risk

The Trustees' investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustees expect the fund managers 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.

The fund managers are remunerated on a standard fee scale, based on the assets under management. The level of remuneration paid to the fund manager is reviewed regularly by the Trustees against market rates in the context of the Scheme's size and complexity to ensure the fund manager's interests are aligned with those of the Scheme.

In addition, the fund managers pay commissions to third parties on many trades they undertake in the management of the assets and also incur other ad hoc costs. The Trustees receive statements from the fund managers setting out these costs and review them regularly with advice from their investment adviser. This is to ensure that the costs incurred are commensurate with the goods and services received.

The Trustees have invested their assets through pooled funds. The managers of these funds have appointed their own custodians. The custodian provides safekeeping for all the fund's assets and performs the administrative duties attached, such as the collection of interest and dividends and dealing with corporate actions.

The Trustees also review additional investment management costs and charges (including portfolio turnover costs) on a regular basis, and on the selection of any mandate, to ensure that they are appropriate and competitive for the service being provided. The Trustees monitor the portfolio turnover in the context of what the Trustees believe to be reasonable given the nature of each mandate. By also monitoring performance and associated costs, the Investment Manager is incentivised to consider the impact of portfolio turnover on investment performance.

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

September 2020