The Fenchurch Pension Scheme (the "Scheme")

Statement of Investment Principles (the "Statement")

Scope of Statement

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).

The effective date of this Statement is 17 September 2024. The Trustees will review this Statement and the Scheme's investment strategy no later than three years after the effective date of this statement and without delay after any significant change in investment policy.

Consultations made

The Trustees have consulted with the employer, Catlin Underwriting Services Limited, prior to writing this Statement and will take the employer's comments into account when they believe it is appropriate to do so.

The Trustees are responsible for the investment strategy of the Scheme. They have obtained written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Aon Investments Ltd ("Aon") who are authorised and regulated by the Financial Conduct Authority.

In the first quarter of 2024, the Trustee agreed a low-risk investment strategy comprising of a full scheme buy-in contract (commencing in March 2024) with Aviva (“the Annuity Policy”). As such, the assets are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme. The Annuity Policy protects the Scheme from the interest rate, inflation and longevity risks associated with the members covered by the policy. It is the intention of the Trustee to complete a full buyout and to wind up the Scheme in due course.

The residual assets are invested in pooled funds with an Investment manager who is authorized by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and Financial Conduct Authority. A copy of this Statement has been provided to the appointed investment manager and is available to the members of the Scheme.

Objectives and policy for securing objectives

The Trustees' objectives for setting the investment strategy of the Scheme have been set with regard to the Scheme's Statutory Funding Objectives as set out in the Statement of Funding Principles.The Trustees' primary objectives are:

- "funding objective" - to ensure that the Scheme is fully funded using assumptions that contain a margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the employer;
- "stability objective" - to have due regard to the likely level and volatility of required contributions when setting the Scheme's investment strategy; and
- "security objective" - to ensure that the solvency position of the Scheme is expected to improve. The Trustees will take into account the strength of employer's covenant when determining the expected improvement in the solvency position of the Scheme.

Choosing investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cashflow requirements, the funding level of the Scheme and the Trustees' objectives.

The Scheme invests in an Annuity Policy with Aviva, intended to provide a return which matches the liabilities insured for the membership of the Scheme.

In addition to the Annuity Policy, the Scheme holds some residual assets, which are held with the chosen investment manager in a Sterling Liquidity fund. An investment strategy review for the residual assets will take place later in 2024 following a review of the surplus position.

The assets of the Scheme are invested in the best interests of the members and beneficiaries.

The Trustees exercise their powers of investment (or delegation where these powers have been delegated to an investment manager) in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole.

The annuity does not have an explicit return objective, rather it aims to deliver the benefits promised to members. The LGIM Sterling liquidity fund which the post buy-in surplus is held in aims to provide diversified exposure and a competitive return in relation to SONIA. 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 a manner which the Trustee believes to be in the best interests of the members and beneficiaries. When choosing the Scheme's asset allocation strategy, the Trustee considered written advice from its 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.

Investment risk measurement and management

The Annuity Policy has removed most of the investment risks to which the Scheme was exposed. The Trustee has identified a number of residual risks which remain:

- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("cash flow risk"). The Trustees 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. Aviva 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 residual assets are insufficient to meet the other payments the Scheme needs to make, such as any true-up premium to Aviva, scheme expenses etc. and the Sponsor is unable to provide sufficient additional funding to meet these expenses.
- 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 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 Aviva 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 its 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 Trustees considered this to be an appropriate investment for the Scheme.

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.

In addition, the Trustees measure risk on residual assets in terms of the performance of the assets compared to the benchmarks, along with monitoring any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustees.

Custody

The Trustees appointed Aviva to manage the full Scheme buy-in policy. The Trustees paid a premium to Aviva to enter into the Annuity Policy.

Investment of residual assets in pooled funds gives the Trustees a right to the cash value of the units rather than to the underlying assets. The manager of the pooled fund is responsible for the appointment and monitoring of the custodian of the fund's assets.

The custodians are independent of the employer.

Expected returns on assets

Over the long-term the Trustees' expectations are for the Scheme assets to broadly match the nature and duration of the Scheme's liabilities.The buy-in contract held with Aviva is intended to cover all Scheme beneficiaries and their prescribed benefit entitlements, and to eliminate interest rate, inflation and longevity risk associated with those liabilities. The insurer pays the Scheme an amount each month equal to the pension payment due in respect of the membership underlying the policy. The contract is an asset of the Scheme and the pension liability remains within the Scheme until such a time as a buyout is completed.

Aon's Capital Market Assumptions are 'best estimates' of annualised returns and incorporate asset class returns, volatility and correlation assumptions. Based on these assumptions, the expected investment returns as at 31 March 2023 were:

- 4.5% pa fixed interest 15 year government bonds;
- 4.4% pa fixed income 10 year investment grade corporate bonds; and
- 2.8% pa inflation 10 yr forecast (Retail Prices Index).

Returns achieved by the investment managers are assessed against performance benchmarks for the funds.

Costs Monitoring

The Trustees are aware of the importance of monitoring their investment managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustees recognise that in addition to annual management charges, there are a number of other costs incurred by their investment managers that can increase the overall cost incurred by their investments.The Trustees note that the importance of monitoring costs will focus on the residual assets and, as such, annual cost transparency reports from the manager will help understand what costs have been incurred on assets with a low expected return.

Given the nature of the buy-in contract, the Trustees do not believe it is appropriate for it to monitor costs outside of the premium as it does not have any influence on the insurer's investment strategy nor does it remunerate the insurer. The Trustees collects annual cost transparency reports covering their residual asset investments and ask that the investment managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustees to understand exactly what they are paying their investments managers. The Trustees work with their investment adviser and investment managers to understand these costs in more detail when required. Evaluation of performance and remuneration: The Trustees assess the performance of their investment managers at meetings and the remuneration of their investment managers on an annual basis via collecting cost data in line with the CTI templates.Portfolio turnover costs: The Trustees are aware of the portfolio turnover costs (portfolio turnover costs are defined as the costs incurred as a result of the buying, selling, lending or borrowing of investments) associated to their underlying investments through the information provided by their investment managers. The Trustees accept that transaction costs will be incurred to facilitate investment returns and that the level of these costs varies across asset classes and by manager investment style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and manager's style and historic trends. Where the Trustees' monitoring identifies a lack of consistency the mandate will be reviewed. The Trustees are supported in their cost transparency monitoring activity by their investment adviser.

Realisation of investments/liquidity

With the purchase of a bulk annuity, the Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise.

The Trustees mitigate this risk by continuing to hold residual assets in liquid funds. These residual assets held are realisable at short notice through the sale of units in pooled funds. Aviva pays the Scheme an amount each month equal to the pension payment due in respect of the membership underlying the policy. The contract is an asset of the Scheme and the pension liability remains within the Scheme until such a time as a buyout is completed.

Arrangements with investment managers

Before entering into the Annuity Policy with Aviva, the Trustees 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 Aviva. This responsibility may include ensuring that arrangements with appointed asset managers are aligned to achieving the medium and long-term objectives of Aviva and as established within the contractual terms of the Annuity Policy of the Scheme.

Given the nature of the assets the Trustees believe that Aviva is incentivised to manage their portfolios in an appropriate manner, taking into account all relevant risks and the expectations of members that their benefits are secure. However, the Trustees also believe that it has limited scope to influence their various policies. As such the Trustees do not seek to monitor these on an ongoing basis. Should the Trustees be provided with any opportunity which it deems appropriate to engage, it will consider this and will outline its views and expectations.

- For the residual assets the Trustees monitor the Scheme's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustees' policies, including those on non-financial matters. This includes monitoring the extent to which investment managers:make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustees are supported in this monitoring activity by their investment adviser.The Trustees receive regular updates from the investment consultant on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives, and assess the investment managers over 3-year periods.The Trustees also receive annual stewardship reports on the monitoring and engagement activities carried out by their investment manager, which supports the Trustees in determining the extent to which the Scheme's engagement policy has been followed throughout the year. Before appointment of a new investment manager, the Trustees review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees' policies. Where possible, the Trustees will seek to amend that documentation so that there is more alignment. The Trustees believe that having appropriate governing documentation, setting clear expectations to the investment managers by other means (where necessary), and regular monitoring of investment managers' performance and investment strategy, is in most cases sufficient to incentivise the investment managers to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial and non-financial performance. Where investment managers are considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically first engage with the manager but could ultimately replace the investment manager where this is deemed necessary.There is typically no set duration for arrangements with investment managers, although the continued appointment all for investment managers will be reviewed periodically, and at least every three years.

Environmental, Social and Governance (ESG) considerations

The policy of the Trustees is that ESG factors should be taken into account by the investment manager in the selection, retention and realisation of investments to the extent that such factors will affect the financial performance of those investments. The Trustees are satisfied that the investment manager has the research and investment processes to consider such matters. These matters are however kept under review by the Trustees, in consultation with their investment consultant and investment manager.Given the nature of the Scheme's buy-in contract, the Trustees believe they have a limited scope to influence the ongoing stewardship and corporate governance activities of the insurer, as a result it will not actively seek to monitor its activities and policies in this area. Should the Trustees be provided with any opportunity which it deems appropriate to engage Aviva it will consider this and will outline its views and expectations of the insurer – should it deem this to be appropriate.

The Trustees' primary concern when setting the investment strategy is to act in the best financial interests of the beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. The Trustees believe that, in order to fulfil this commitment and to protect and enhance the value of the Scheme's investments, they must act as responsible stewards of the investments. In endeavouring to invest in the best financial interests of the beneficiaries, the Trustee has elected to invest the majority of the Scheme's assets in an Annuity Policy and therefore have 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.

The Trustees acknowledge that financially material considerations include ESG factors, such as climate change. Understanding these factors can help identify investment opportunities and financially material risks.

The Trustees are taking the following steps to monitor and assess ESG related risks and opportunities within residual assets:

- The Trustees will undertake periodic training on Responsible Investment to understand how ESG factors, including climate change, may impact on the Scheme's assets and liabilities.
- As part of ongoing monitoring, the Trustees will use information, where available, provided by Aon of their assessment of the investment managers against ESG factors.
- On a periodic basis, the Trustees will ask the investment managers to provide their policy on Responsible Investment to include details of how they integrate ESG in their investment decision making process. Should the Trustees look to appoint a new manager, they will request this information as part of the selection process. All responses will be reviewed and monitored.

Stewardship – Voting and Engagement

The Trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately this creates long-term financial value for the Scheme and its beneficiaries. When the scheme purchased the buy-in with Aviva, the Trustees considered the Insurers stewardship policy which was deemed satisfactory before progressing with the deal, which is as follows;

Aviva will "ensure that investment managers appointed to manage its funds operate a voting and engagement policy consistent with the approach of engaging with companies on ESG factors and using voting rights to positively influence company behaviour."

With regard to residual assets, the Trustees delegate all stewardship activities, including voting and engagement, to their appointed investment manager. As part of their delegated responsibilities, the Trustees expect the Scheme's investment manager to engage with investee companies with the aim to protect and enhance the value of assets where appropriate; and exercise the Trustees' voting rights in relation to the Scheme's assets.

The Trustees accept responsibility for how the manager stewards assets on their behalf, including the casting of votes in line with each managers' individual voting policies.The Trustees regularly review the suitability of the Scheme's appointed investment manager and take advice from their investment consultant with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed manager.

The Trustees review the stewardship activities of their investment manager on a regular basis, covering both engagement and voting policies to ensure they are in line with the Trustees' expectations and in members' best interests.Where the Trustees identify significant concerns relating to performance, strategy, risks, social and environmental impact, corporate governance, the capital structure or management of conflicts of interest, of a investment manager or other stakeholder; they will consider the methods by which they would monitor and engage, for example via emails and meetings, with such an investment manager or other stakeholders.

Members' views and non-financial factors

The Trustees do not explicitly take the views of members and beneficiaries of the Scheme into account in relation to ESG factors or the present and future quality of life of the members and beneficiaries of the Scheme (defined as 'non-financial factors' in the 2018 Regulations). The Trustees will review this policy periodically.

Effective decision making

The Trustees recognise that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. The Trustees also recognise that, where they take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.

All investment decisions are discussed by the whole Trustee body with assistance from the Scheme's investment advisers before decisions are taken.

The Statement of Investment Principles was adopted by the Trustees on 17 September 2024.

The Fenchurch Pension Scheme
Appendix to Statement of Investment Principles

This Appendix sets out the Trustees' current investment strategy, and is supplementary to the Trustees' Statement of Investment Principles (the "attached Statement").

The Trustees' investment strategy has been established in order to maximise the likelihood of achieving the primary objectives set out in the attached Statement. The details are laid out below:

1. Residual asset allocation strategy

The investment strategy below reflects the asset strategy immediately following the purchase of a buy-in policy. The Strategy for residual assets will be reviewed and updated following a review of the surplus position.

Asset class	Central Benchmark (%)	Control Range (%) +/-
Sterling Liquidity Fund	100%	n/a

2. Investment management arrangements

2.1 Liquidity funds

The following describes the mandate given to the investment manager.

Manager/Fund	Benchmark
Legal & General Sterling Liquidity Fund	Sterling Overnight Index Average

2.2 Cash balances

A working balance of cash is held for imminent payment of benefits, expenses, etc. Under normal circumstances it is not the Trustees' intention to hold a significant cash balance and this is carefully monitored by the Scheme's administrator.

3. Fee structure for advisers and managers

3.1 Advisers

The Trustees' investment advisers are paid for advice received on the basis of the time spent by the adviser. For significant areas of advice (e.g. one off special jobs, or large jobs, such as asset and liability modelling), the Trustees will endeavour to agree a project budget.

These arrangements recognise the bespoke nature of the advice given and that no investment decisions have been delegated to the adviser.

3.2 Investment managers

The investment manager is remunerated as a set percentage of the assets under management together with an annual fee of £1,500 to cover routine administration and rebalancing requirements. This is in keeping with market practice.

3.3 Summary of investment management fee arrangements

Manager/Fund	Fee Scale
Legal & General Sterling Liquidity Fund	0.125% pa on the first £5 million, plus 0.1% pa on the next £5 million, plus 0.075% pa on the next £20 million, plus 0.05% pa on the balance over £30 million