The Wilts Wholesale Electrical Company Limited Retirement Benefits 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 Trustee will review this Statement and the Scheme’s investment strategy at least every three years and immediately following any significant change in investment policy.

Consultations made

The Trustee has consulted with the employer, Fernturn Holdings Limited, prior to writing this Statement and will take the employer’s comments into account when it believes it is appropriate to do so.

The Trustee is responsible for the investment strategy of the Wilts Wholesale Electrical Company Limited Retirement Benefits Scheme. It has 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 Limited who are authorised and regulated by the Financial Conduct Authority.

The day to day management of the Scheme's assets has been delegated to investment managers which are authorised and regulated by the Financial Conduct Authority. A copy of this Statement is available to the members of the Scheme and the appointed investment managers.

Objectives and policy for securing objectives

The Trustee’s 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 Trustee's primary objectives are

- “funding objective” – to ensure that the Scheme is fully funded using assumptions that contain an appropriate 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 (as assessed on a gilt basis) is expected to improve. The Trustee 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 Trustee's objectives.

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

The Trustee exercises its powers of investment in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk, a spread of assets is held. The diversification is both within and across the major asset classes.

Assets held to cover the Scheme's technical provisions (the liabilities of the Scheme) are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

The assets of the Scheme are invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Investment in derivatives is only made in so far as they contribute to the reduction of investment risks, facilitate efficient portfolio management and hedge movements in buy out insurer pricing. Investment in derivatives are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

The balance between different kinds of investments

The Trustee is responsible for setting asset allocation, and takes expert advice as required from their professional advisers.

The Trustee reviews its investment strategy following each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). The Trustee takes written advice from its professional advisers regarding an appropriate investment strategy for the Scheme.

The asset allocation set out in Appendix I was implemented after considering the results of the Actuarial Valuation as at 5 April 2020 and the investment strategy review carried out in 2021.

A broad range of available asset classes has been considered. This includes consideration of so called "alternative" asset classes (namely property, private equity, and hedge funds).

Investment risk measurement and management

The Trustee recognizes that the key risk to the Scheme is that it has insufficient assets to make provision for 100% of its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause 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 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 Trustee 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 Trustee ("manager risk"). This risk is considered by the Trustee 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 Trustee 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 Trustee has an agreement with the employer to receive notification of any events which have the potential to alter the creditworthiness of, or security offered by, the sponsoring employers in particular, the Trustee will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator and employer-related Notifiable Events. The impact of the cashflows into the Scheme are considered when setting the investment 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.

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 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.

The Trustee's policy is to monitor, where possible, these risks periodically. The Trustee reviews periodic reports provided by their investment adviser, fund managers, other service providers (namely actuary) regarding:

- Performance of individual fund managers versus their respective targets. Expected deviation from the benchmark (for a passive manager) or out-performance target (for an active manager) is detailed in the appendix of this statement. The Trustee acknowledges that investment returns achieved outside the expected deviation (positive or negative) may be an indication that the investment manager is taking a higher level of risk than indicated
- Any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustees
- Performance of total Scheme assets, and funded status report

Arrangements with asset managers

The Trustee regularly monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustee policies, including those on non-financial matters. The Trustee is supported in this monitoring activity by their investment adviser. This includes monitoring the extent to which asset 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 Trustee receives quarterly reports and verbal updates from the investment consultant on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focusses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives, and aim to assess the asset managers over at least a 3-year period.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by their asset manager, which supports the Trustee in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

Before appointment of a new asset manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee policies. Where necessary, the Trustee will seek to amend that documentation so that there is more alignment.

The Trustee believes that having appropriate governing documentation, setting clear expectations to the asset managers and regular monitoring of asset managers' performance and investment strategy, is in most cases sufficient to incentivise the asset managers to make decisions that align with the Trustee policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where asset managers are considered to make decisions that are not in line with the Trustee policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager but could ultimately replace the asset manager where this is deemed necessary.

There is typically no set duration for arrangements with asset managers, although the continued appointment all for asset managers will be reviewed periodically, and at least every three years.

Responsible Investment

Environmental, Social and Governance Factors

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. These include 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 their performance.

Stewardship – Voting and Engagement

The Trustee recognises 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 creates long-term financial value for the scheme and its beneficiaries.

The Trustee delegates all stewardship activities, including voting and engagement, to its appointed investment managers. As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers to engage with investee companies with the aim to protect and enhance the value of assets where appropriate; and exercise the Trustee's voting rights in relation to the Scheme's assets. The Trustee accepts responsibility for how the managers steward assets on its behalf, including the casting of votes in line with each managers' individual voting policies.

The Trustee regularly reviews the suitability of the appointed managers and takes advice from an investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

The Trustee reviews the stewardship activities of their asset managers on an annual basis, covering both engagement and voting policies to ensure they are in line with the Trustee's expectations and in members' best interests.

Where the Trustee identifies significant concerns relating to performance, strategy, risks, social and environmental impact, corporate governance, the capital structure or management of conflicts of interest, of a fund 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 asset manager or other stakeholders.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly take into account the views of Scheme 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"[1]).

Costs Monitoring

The Trustee is aware of the importance of monitoring their asset managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by their asset managers that can increase the overall cost incurred by their investments.

The Trustee collects annual cost transparency reports covering all of their investments and ask that the asset managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand exactly what they are paying their investment managers. The Trustee works with their investment adviser and asset managers to understand these costs in more detail where required.

Evaluation of performance and remuneration: The Trustee assesses the performance of their asset managers on a quarterly basis and the remuneration of their asset managers on an annual basis via collecting cost data in line with the CTI templates.

Portfolio turnover costs: The Trustee is 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 fund managers. The monitoring of the target portfolio turnover and turnover range is monitored annually with the assistance of the Scheme's investment adviser.

The Trustee accepts 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 Trustee monitoring identifies a lack of consistency the mandate will be reviewed. The Trustee are supported in their cost transparency monitoring activity by their investment adviser.

Custody

[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

Investment in pooled funds gives the Trustee a right to the cash value of the units rather than to the underlying assets. The managers of the pooled fund are 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 Trustee's expectations are:

- for the "growth" assets (equity and absolute return bonds funds), to achieve a return which at least keeps pace with the discount rate assumed in the most recent funding valuation. The Trustee is willing to incur short-term volatility in asset price behaviour with the expectation that over the long term these assets will outperform asset classes which may be regarded as matching the liabilities;
- for the "matching" assets, to achieve a return in line with the change in value of the liabilities to minimise funding level volatility resulting from changes in interest rates and inflation expectations. The "matching" assets also align the Scheme's portfolio to broadly match insurer pricing prior to selecting an insurer to secure the Scheme's liabilities.

The current target investment return is 1.1% p.a. above the yield on gilts.

Returns achieved by the investment managers are assessed against performance benchmarks set by the Trustee in consultation with its advisers and investment managers.

Realisation of investments/liquidity

The Trustee recognises that there is a risk in holding assets that cannot be easily realised should the need arise.

The majority of the assets held are realisable at short notice (either through the sale of direct holdings of stocks or the sale of units in pooled funds).

Delegation of investment management

As part of the investment arrangements, the Trustee has entered into a contract with Legal & General Assurance ("LGAS"). As part of these arrangements, LGAS delegate the investment management responsibilities to their asset management company, Legal & General Investment Management. For simplicity we refer to the investment arrangement being managed by Legal & General within this Statement and its Appendix where appropriate.

Additional voluntary contributions ("AVC's") arrangements

Some members obtain further benefits by paying AVC's to the Scheme. The liabilities in respect of these AVC's are equal to the value of the investments bought by the contributions. Details of AVC providers and fund options are included in the Appendix to this Statement.

From time to time the Trustee reviews the choice of investments available to members to ensure that they remain appropriate to the members' needs.

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Name (Print) Signature Date

For and on behalf of PAN Trustees UK LLP in capacity as Trustee for the Wilts Wholesale Electrical Company Limited Retirement Benefits Scheme

The Wilts Wholesale Electrical Company Limited Retirement Benefits Scheme

Appendix I to Statement of Investment Principles

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

The Trustee's investment strategy has been established in order to maximise the likelihood of achieving the primary objectives set out in the attached Statement.

The current strategic asset allocation is as below:

1. Asset allocation strategy

Asset Class	Weight (%)
All World Equity (50% GBP Hedged)	12.0
Absolute Return Bonds	20.0
Total Growth	**32.0**
Liability Driven Investment (LDI) & Cash	62.0
Synthetic Credit (Buyout cost hedge)	6.0
Total Matching	**68.0**

2. Investment management arrangements

The Trustee has appointed three managers to manage their assets: Legal & General ("L&G"), Insight Investment ("Insight") , and Columbia Threadneedle Investments (formerly BMO Global Asset Management) ("CT"). The following describes the mandates given to each manager.

2.1 Passive equities – Legal & General

Fund	Benchmark	Target
All World Equity Index Fund	FTSE All World Index	Track the benchmark
All World Equity Index Fund – GBP Hedged	FTSE All-World Index - GBP Hedged	Track the Benchmark

2.2 Absolute Return Bonds – Insight Investment

Fund	Benchmark	Target
Bonds Plus Fund	SONIA	Outperform benchmark by 2% pa (before tax, fees and expenses) over rolling three year periods.

2.3 Liability Driven Investment (LDI) – CT

Fund	Benchmark	Target
LDI Funds	Liability benchmark	Track the benchmark

The Trustee has agreed to aim to hedge the same proportion of the liability movement as the Scheme's funding level (assets as a proportion of liabilities).

2.4 Synthetic Credit – Insight Investment

Fund	Benchmark	Target
Synthetic Global Credit Fund	50% Markit iTraxx Europe Main 10-year Index/50% Markit CDX North America Investment Grade 10-year Index	Track the benchmark

The Trustee uses this portfolio to aim to hedge 30% of the assets against movements in credit spreads (which impacts the buy-out cost with an insurer.)

2.5 Cash – CT

Fund	Benchmark	Target
Sterling Liquidity Fund	GBP SONIA	Maintain high levels of liquidity and generate a return in line with money market rates

The CT Sterling Liquidity Fund is used to fund the collateral calls of the LDI portfolio.

2.6 Cash balances

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

2.7 Re-balancing

The Trustee monitors the overall allocation on a periodic basis and will rebalance the portfolio as appropriate, with advice from the investment consultant.

3. Fee structure for advisers and managers

3.1 Advisers

The Trustee's investment advisers are paid an annual fee which includes all services needed on a regular basis. Some one-off projects fall outside of the annual fee and are charged 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 transition of assets), the Trustee 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

For the passive, and LDI mandates, the investment manager is remunerated as a set percentage of the assets under management. This is in keeping with market practice.

3.3 Summary of investment management fee arrangements

Manager	Fund	Fee Scale
L&G	All World Equity Index Fund	0.20% pa on the first £5.0m, 0.175% pa on the next £15.0m, 0.15% pa on the next £50.0m and 0.125% pa thereafter.
L&G	All World Equity Index Fund – GBP Hedged	0.223% pa on the first £5.0m, 0.198% pa on the next £15.0m, 0.173% pa on

		the next £50.0m and 0.148% pa thereafter.
Insight	Bonds Plus Fund	0.50% pa of assets
Insight	Synthetic Global Credit Fund	0.30% pa of assets
CT	Dynamic LDI Funds	0.30% pa for the first £15m of assets 0.25% pa for the next £35m of assets
CT	Leveraged Gilt & Swap Funds	0.15% pa for the first £50m of assets
CT	Sterling Liquidity Fund	0.10% pa of assets

4. Additional Voluntary Contributions

The Trustee have made available the following AVC providers:

- Aviva (formerly Norwich Union)
- Equitable Life Assurance Society (subsidiary of Utmost).