The R.E.A. Pension Scheme

Statement of Investment Principles

Barnett Waddingham LLP

19 June 2024

Contents

Introduction

1.1. This is the Statement of Investment Principles prepared by the Trustee of the R.E.A. Pension 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; and
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010.
- the Occupational Pension Schemes (Changes and Governance) Regulations 2015.
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2. In preparing this statement the Trustee has consulted the sponsoring employer, and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultant. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority and licensed by the Institute and Faculty of Actuaries for a range of investment business activities.

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 Trustee 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 Trustee are set out in Clause 8 of the Definitive Trust Deed & Rules, dated 16 November 2016. This statement is consistent with those powers.

2. Choosing investments

2.1. The policy for the overall investment target is set collectively by the whole Trustee board who then monitor the performance of their managers against that target. In doing so, the Trustee considers 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 professional investment managers. The Scheme's investment managers are detailed in Appendix 1 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. The Trustee board reviews the decisions of the investment managers on a quarterly basis. Where decisions on investments are needed between reviews, decisions may be taken by any two directors of the Trustee but such decisions are subject to ratification by the full Trustee board.

2.3. At each actuarial valuation, we agree with the Scheme Actuary and the Trustee's investment consultants an allocation of investments ("the agreed asset allocation") between equities, fixed interest and index-linked. Within the latter categories, we also agree an allocation between government and non-government securities and the agreed asset allocation forms the basis of the actuarial valuation. We consider that the adherence to this agreed asset allocation has the greatest effect in meeting our investment objectives and therefore the focus of our attention is on this before we consider other aspects.

2.4. The Trustee reviews 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 Trustee will also consult the Sponsoring Employer before amending the investment strategy. The Trustee has responsibility for selecting which fund manager to use and have provided them with instructions to invest the assets in line with a balanced investment approach but subject to the agreed asset allocation. In the short term, the Trustee may hold cash in our bank account for paying benefits or awaiting investment.

2.5. Our use of fund managers means we are able to realise investments within the funds by submitting written instructions to disinvest, signed by the Trustee or any other person we authorise to sign on our behalf.

3. Investment objectives

3.1. The Trustee has discussed key investment objectives in light of an analysis of the Scheme's liability profile as well as the constraints the Trustee faces in achieving these objectives. As a result, the Trustee's main investment objectives are:

- to ensure that the Scheme can meet the members' entitlements under the Trust Deed and Rules as they fall due from a combination of contributions and investment returns.

3.2. Contribution rates are set by the Trustee in conjunction with the Sponsoring Employer based upon recommendations made by the Scheme Actuary on the basis of the agreed asset allocation and are designed to make provision at any time for benefits already earned under the Scheme.

3.3. The Trustee is 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 Trustee has obtained exposure to investments that they expect will meet the Scheme's objectives as best as possible.

3.4. The agreed asset allocation reflects the Trustee's plan to hold a mixture of equities and other non-bond assets to back the benefits of members yet to retire, while the majority of assets are held in bonds to back pensioners. Any surplus assets (over and above the Technical Provisions liabilities) will be held in assets which are expected to generate positive returns to enable additional value to be delivered.

3.5. The Trustee accepts there are risks in this. The Trustee adopts a prudent funding basis but they do not reserve for these risks (see below for how we plan to manage this). The aim is to build sufficient funds to pay pensions earned to date, allowing for future inflationary and salary increases, assuming that member's pensions are backed mainly by bonds and paid from the Scheme's funds (and not bought from an insurer as annuities at retirement).

3.6. The long-term investment objective for the Scheme is to track the funding objective, but in a broad way. The aim is to manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's required contribution levels.

3.7. The Scheme will seek investments in assets of appropriate liquidity which will generate income and capital to meet the cost of current benefits which the Scheme provides. In doing this, we will consider holding cash to meet cash liabilities, such as tax-free cash amounts for upcoming retirements and other asset classes if advised to do so by our investment advisor.

3.8. Actuarial valuations are conducted every three years and actuarial reviews are conducted annually between valuations. The Trustee's funding and investment objectives are considered at a Trustee meeting following each actuarial review and are formally reviewed at the time of the triennial actuarial valuation. The Trustee considers that our investment objectives are most likely to be met by avoiding sudden and abrupt changes in our agreed asset allocation but nevertheless the Trustee is 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 liability profile matures. Therefore, following each actuarial review, we consider whether the agreed asset allocation remains appropriate having regard to retirements during the preceding year and any specific recommendations received from the Scheme Actuary.

3.9. The Trustee seeks to take account of long-term risks, including those relating to non-financial factors, when making investment decisions.

4. Kinds of investments to be held

4.1. The Scheme is permitted to invest in a wide range of assets including equities (UK and overseas), bonds, cash, property and derivatives.

4.2. Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risk in the portfolio.

4.3. The Trustee has a policy of not making employer-related investments.

5. Risks

5.1. The Trustee has considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities, and considered ways of managing/monitoring these risks:

Investment Matching Risk	The risk that, on a change in financial conditions, asset values and liabilities move substantially relative to one another in a way that worsens scheme funding. • We will take advice from the Scheme Actuary after each actuarial valuation as to our quantitative exposure to investment matching risk having regard to the agreed asset allocation adopted following that valuation and the prevailing profile of future retirements. 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.
Investment Return Risk	The risk that investment returns under-perform the nominal rates required to meet the funding objective. • We will monitor no less frequently than annually investment returns against the rates expected at the most recent actuarial valuation. • If markets do under-perform, we will consider what advice should be taken from the Scheme Actuary about requesting additional contributions from the sponsoring employer.
Inflation Risk	The risk that inflation is not adequately compensated by investment returns. • We will monitor no less frequently than annually any divergence of inflation from the rates assumed in the most recent actuarial valuation together with the extent to which any adverse divergence has been compensated for by investment returns. • If real returns are less than required to meet the funding objectives we will consider what advice should be taken from the Scheme Actuary about requesting additional contributions from the sponsoring employer.
Investment Duration Risk	The risk that the bonds we hold have a shorter term than the length of the liabilities. We will monitor long-term gilt yields at least annually and, if there is a material reduction in yields, we will consider taking advice from the Scheme Actuary.
Diversification	We will monitor, normally at quarterly intervals, but in any event no less frequently than annually, that our chosen fund managers maintain a proper diversification of assets invested predominately on regulated markets and if they use derivatives on our behalf, they only do so for the purpose of risk management.
Covenant risk	The creditworthiness of the Principal Employers and the size of the pension liability relative to the Principal Employers' 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 Trustee is 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 Appendix 1 to this Statement and is monitored on a regular basis by the Trustee.
Manager Performance Risk	The risk that our chosen managers do not meet our expectations of them. • Each year we will monitor manager performance against the relevant market returns over three-year rolling periods. • We will also monitor the assets underlying any pooled fund that the manager has selected to identify whether the structure of such fund has changed significantly. If necessary then we will take appropriate investment advice.
Governance risk	Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustee monitors these and will report on the managers' practices in their annual Implementation Statement.
ESG/Climate risk	The Trustee has considered long-term financial risks to the Scheme and ESG factors as well as climate risk are potentially financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of 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 in order 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.

6. Expected return on investments

6.1. The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is 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.

6.2. The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

6.3. In considering the expected return from investments, the Trustee recognises that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.

6.4. Having established the investment strategy, the Trustee monitors the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position.

6.5. The returns we expect over the long term follow from the funding objective we adopted at the last actuarial valuation are, after investment expenses, as follows:

- Bonds – returns in line with a suitable market index yield
- Equities – returns in line with the return on Bonds with an addition to reflect the expected outperformance of Equities over the longer term.

7. Realisation of investments

7.1. The Trustee has delegated the responsibility for buying and selling investments to the investment managers. The Trustee has considered the risk of liquidity as referred to above.

7.2. Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustee is aware of the fact that 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.

8. Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

8.1. The Trustee has set policies in relation to these matters. These policies are set out in Appendix 2.

9. Policy on arrangements with asset managers

Incentivising alignment with the Trustee's investment policies

9.1. Prior to appointing an investment manager, the Trustee discusses the investment manager's approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how their policies are aligned with the Trustee's own investment beliefs.

9.2. 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 Trustee also considers how ESG and climate risk are integrated into these. If the Trustee deems 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.

9.3. The Trustee carries out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Scheme's membership and their aims, beliefs and constraints. The Trustee monitors the investment managers' approach to ESG and climate related risks on an annual basis.

9.4. In the event that an investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated. The investment managers have been informed of this by the Trustee.

9.5. Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager.

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

9.6. The Trustee is mindful that the impact of ESG and climate change has a long-term nature. However, the Trustee recognises that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustee acknowledges this in their investment management arrangements.

9.7. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustee assesses these over a rolling timeframe. The Trustee believes 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 Trustee expects this longer term performance target to be sufficient to ensure an appropriate alignment of interests.

9.8. The Trustee expects 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 Trustee does not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

Method and time horizon for assessing performance

9.9. The Trustee monitors the performance of their investment managers over medium to long term periods that are consistent with the Trustee's investment aims, beliefs and constraints.

9.10. The investment manager is remunerated by the Trustee based on the assets they manage on behalf of the Trustee. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less.

9.11. The Trustee believes that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

9.12. The Trustee asks the Scheme's investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered regularly as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

9.13. The Trustee acknowledges that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the quarterly investment monitoring process.

9.14. During the investment manager appointment process, the Trustee 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. The Trustee acknowledges that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

Duration of arrangement with asset manager

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

9.16. The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustee's 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.

10. Agreement

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

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

On behalf of the R.E.A. Pension 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

Clearly the precise asset allocation in the Scheme's portfolio will vary on a day-to-day basis. However, in order that a general picture of the Trustee's current strategy can be provided, as at 31 December 2023, the assets of the Scheme were invested in the following funds: -

Manager: Cazenove Capital

Asset Class	Proportion of assets (%)	Value as at 31 December 2023 (£)
Fixed interest & index-linked	40.1	15,303,000
Equities (incl. Private equity)	51.8	19,793,000
Alternatives	6.0	2,290,000
Cash	2.1	799,000
Total invested assets	**100.0**	**38,185,000**
Net current assets		172,000
Total Scheme assets		**38,357,000**

Rebalancing

The Trustee recognises that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Trustee seeks to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalances.

The Trustee, having taken appropriate advice, has an aspiration to hold a total amount in protection assets broadly equal to the pensioner liability. As at 31 December 2023, the resultant amount invested in protection assets would have been £19.5m, which was equivalent to around 51% of total invested assets. The resulting allocation to growth assets (Equities and alternatives) was therefore 49% as at that date. The Trustee has agreed ranges around these amounts, with a degree of flexibility to invest up to 55% of total assets to Equities , to allow the Trustee to tactically overweight Equities. Should the proportion of Equities held exceed this amount, the Trustee will consider taking advice as to whether the portfolio should be rebalanced.

2. Choosing investments

The Trustee has appointed the following investment managers to carry out the day-to-day investment of the Scheme:

- Cazenove Capital

Cazenove Capital is a trading name of Schroder & Co. Limited, who are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority.

The Trustee considers Cazenove Capital to be competent fund managers who have appropriate internal controls in place and can be expected to manage funds place with them in a prudent manner.

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

Investment Manger	Fund	Benchmark	Objective
Cazenove Capital	Segregated Portfolio	n/a	To provide pension income for members of The R.E.A. Pension Scheme

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

The AVC arrangement is reviewed from time to time.

The fee arrangements with the fund managers are summarized in the Trustee's Investment Manager Arrangement Summary document.

Barnett Waddingham LLP are engaged as the Scheme Actuary, administrators and investment consultant to the Scheme. The Sponsoring Employer (on behalf of the Trustee) pays the fees of Barnett Waddingham LLP which are charged on a time cost basis. No commission is payable to Barnett Waddingham LLP.

3. Investments and disinvestments

Investments and disinvestments are usually made so as to move the actual asset allocation more in line with the target asset allocation.

Appendix 2: Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

1. Financially Material Considerations

The Trustee considers that factors such as environmental, social and governance (ESG) issues (including but not limited to climate change) will be financially material for the Scheme over the length of time during which the benefits provided by the Scheme for members require to be funded to a level which would allow the benefits to be bought out with an insurer.

The Trustee takes into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments.

The Trustee takes those factors into account in the selection, retention and realisation of investments as follows:

Selection of investments: assess the investment managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through other regular reporting channels.

Retention of investments: Developing a robust monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.

Realisation of investments: The Trustee will request information from investment managers about how ESG considerations are taken into account in decisions to realise investments.

The Trustee will also take those factors into account as part of its investment process to determine a strategic asset allocation, and consider them as part of ongoing reviews of the Scheme's investments.

The Trustee will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

- The Trustee will obtain regular training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
- As part of ongoing monitoring of the Scheme's investment managers, the Trustee will use any ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and
- Through their investment consultant the Trustee will request that all of 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.

2. Non-financially material considerations

The Trustee does not take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future qualify of life of the members and beneficiaries of the Scheme (referred to as "non-financial matters" in the relevant Regulations) in the selection, retention and realisation of investments.

3. The exercise of voting rights

The Trustee's 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 Trustee's behalf. In doing so, the Trustee expects that the investment managers will use their influence as major institutional investors to exercise the Trustee's 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.

The Trustee 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), through the Scheme's investment consultant.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustee will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustee 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.

4. Engagement activities

The Trustee acknowledges the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. 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.

The Trustee is 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 Trustee also recognises 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.

The Trustee considers 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.

The Trustee also considers 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.

Should an investment manager be failing in these respects, this should be captured in the Scheme's regular performance monitoring.

Through their consultation with the sponsoring employer when setting this Statement of Investment Principles, the Trustee has made the sponsoring employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

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 Trustee confident that the investment manager recommendations they make are free from conflict of interest.

The Trustee expects all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustee believes they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee/investment manager and the investee companies.

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

Appendix 3: Investment Manager Fee Arrangements

The fee arrangements with the investment managers are summarised below:

Cazenove Capital are paid for their fund management services by way of management fees. This fee has been set at 1% of the Scheme assets per annum up to £1m and then 0.25% of the Scheme assets over this amount. This fee is payable quarterly by R.E.A. Services Ltd on behalf of the Employers. In addition, Cazenove Capital receives brokerage commission on dealing transactions executed on behalf of the Scheme.

The Trustee has appointed Barnett Waddingham LLP to advise on investment matters. Barnett Waddingham are normally remunerated on a time-cost basis, although fixed fees may be agreed for specific tasks.