

# Simon Group Pension Fund

## Statement of Investment Principles

**Barnett Waddingham LLP**

1 July 2025

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## 1 Introduction

- 1.1 This is the Statement of Investment Principles prepared by the Trustees of the Simon Group Pension Fund (the Fund). This statement sets down the principles governing decisions about investments for the Fund to meet the requirements of the Pensions Act 1995, as amended by the Pensions Act 2004, and of the Occupational Pension Funds (Investment) Regulations 2015 as amended by the Occupational Pension Funds (Investment) (Amendment) Regulations 2018.
- 1.2 In preparing this statement the Trustees has consulted CLdN Ports Humber Limited, the Principal Employer, to ascertain whether there are any material issues of which the Trustees should be aware in agreeing the Fund's investment arrangements.
- 1.3 The Trustees has equally obtained advice from Barnett Waddingham LLP, the Trustees' investment consultants. 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.
- 1.4 This statement has been prepared with regard to the 2001 Myners' review of institutional investment (including subsequent updates), and Fund Funding legislation.
- 1.5 The Trustees will review this statement at least every three years or if there is a significant change in the policy on any of the areas covered by the statement.
- 1.6 The investment powers of the Trustees are set out in Section 31 of the Definitive Trust Deed & Rules, dated 1 January 2006. This statement is consistent with those powers.

## 2 Choosing Investments

- 2.1 The Trustees' policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.
- 2.2 The day-to-day management of the Fund's assets is delegated to one or more investment managers. The Fund's investment managers are detailed in the Appendix to this Statement. The investment managers are authorised and regulated by their national regulators (details in the appendix) and are responsible for stock selection and the exercise of voting rights where applicable.
- 2.3 The Trustees reviews the appropriateness of the investment strategy on an ongoing basis. This review includes consideration of the continued competence of the asset managers with respect to performance within any guidelines set. The Trustees will also consult the Principal Employer before amending the investment strategy.

## 3 Investment Objectives

- 3.1 The Trustees' main investment objectives are:
  - to ensure that they meet the members' entitlements under the Trust Deed and Rules as they fall due;

- to manage the expected volatility of the returns achieved in order to control the level of volatility in the Fund's required contribution levels;
  - to invest in assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from the participating employer, the cost of current and future benefits which the Fund provides;
  - to reduce the risk of the assets failing to meet the liabilities over the long term;
  - to minimise the long-term costs of the Fund by maximising the return on the assets whilst having regard to the above objectives.
- 3.2 The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Fund's liabilities at any time. The Trustees have obtained exposure to investments that they expect will meet the Fund's objectives as best as possible.

## 4 Kinds of investments to be held

- 4.1 The Fund will only purchase marketable securities such as bonds (UK government bonds, UK Non-Government Bonds and Non-UK Bonds) and cash. These investments will only be held directly in accounts with banks and not via unitised funds or funds of any nature.
- 4.2 The Fund holds a bulk annuity contract with Legal & General which covers the majority of the liability to pensioners insured under that contract.

## 5 The balance between different kinds of investments

- 5.1 The Fund invests in assets that are expected to achieve the Fund's objectives. The allocation between different asset classes is contained within the Appendix to this Statement.
- 5.2 The Trustees consider the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendix to this Statement.
- 5.3 From time to time the Fund may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short term cashflows requirements or any other unexpected items.
- 5.4 The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Fund's asset allocation will be expected to change as the Fund's liability profile matures.

## 6 Risks

- 6.1 The Trustees have considered the following risks for the Fund with regard to its investment policy and the Fund's liabilities, and considered ways of managing/monitoring these risks:
- 6.2 **Long-term risks** The Trustees' objective is to hedge long-term risks in a manner consistent with their investment beliefs.

- 6.3 **Risk versus the liabilities** The Trustees will monitor and review the investment strategy with respect to the liabilities following each actuarial valuation. The investment strategy will be set with consideration of the appropriate level of risk required for the funding strategy as set out in the Fund's Statement of Funding Principles.
- 6.4 **Pooled fund risk** The Trustees have decided not to invest in pooled funds and prefer a directly-held portfolio.
- 6.5 **Asset Allocation risk** The asset allocation is detailed in the Appendix to this Statement and is monitored on a regular basis by the Trustees.
- 6.6 **Manager risk** The Trustees monitor each of the managers' performance on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustees have a written agreement with each fund manager, which contains a number of restrictions on how each fund manager may operate. The Trustees ensure that the investment managers receive and confirm receipt of this Statement. The managers are prevented from investing in asset classes outside their mandate without the Trustees' prior consent. Arrangements are in place to monitor the Fund's investments to help the Trustees check that nothing has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, the Trustees meet periodically with the Fund's asset managers and receive regular reports from all the investment managers. These reports include an analysis of the overall level of diversification and return, along with their component parts, to ensure the risks taken and returns achieved are consistent with those in line with this statement.
- 6.7 **Concentration risk** Each fund manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual securities.
- 6.8 **Loss of investment** The risk of loss of investment by each fund manager and custodian is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors, or fraud).
- 6.9 **Liquidity risk** The Fund invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Fund's cash flow requirements. The Fund's administrators assess the level of cash held to limit the impact of the cash flow requirements on the investment policy.
- 6.10 **Covenant risk** The creditworthiness of the employer and the size of the pension liability relative to the employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
- 6.11 **Solvency and mismatching** Risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustees are aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Fund's funding basis.
- 6.12 **Currency risk** The Fund's liabilities are denominated in sterling. The Fund may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.

## 7 Expected return on investments

- 7.1 The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The focus of the Trustees is set on asset protection and therefore investment managers are not required to outperform their market, which could lead to higher risk taking. The Trustees are advised by their professional advisors on these matters, who he deems to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the fund managers.
- 7.2 The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 7.3 In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.
- 7.4 Having established the investment strategy, the Trustees monitor the performance of each fund manager in relation to the Fund's cashflow-matching objectives, as frequently as appropriate according to market conditions and the Fund's funding position. In order to review performance, the Trustees meet the Fund's asset managers as frequently as is appropriate.

## 8 Realisation of investments

- 8.1 The Trustees have delegated the responsibility for buying and selling investments to the asset managers. The Trustees have considered the risk of liquidity as referred to above.
- 8.2 Ultimately, the investments will all have to be sold when the Fund's life comes to an end. In this situation, the Trustees are 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 Fund accounts.

## 9 Financially Material Considerations, Non-Financial matters and stewardship

- 9.1 The Trustee considered academic evidence on the potential benefits of allowing for environmental, social and governance ("ESG") factors within its investment strategy. Based on this research the Trustee concluded that there was not a reason to exclude ESG issues from their consideration. The Trustee believes that ESG issues, including but not limited to climate change are potentially financially material over the length of time until the benefits can be bought out with an insurer/Fund's life comes to an end. This timescale is expected to be not less than ten years from the date of this statement. The Trustee takes these factors into account, alongside other factors, in its decisions in relation to the selection, retention and realisation of the Fund's investments.
- 9.2 The Trustee's views on how the ESG factors are taken into account for the Fund's investments are set out below:
  - The Trustee believes that ESG factors will be financially material to the risk-adjusted returns for corporate bonds. The Trustee does not believe there is significant scope for ESG issues to improve risk-adjusted returns within the Fund's gilt and cash holdings.

- The Trustee accepts that for passively managed funds the managers must invest in line with the specified index and therefore may not be able to select, retain or realise investments based on ESG related risks and opportunities.
- The Trustee believes that ESG factors will be financially material to the risk-adjusted returns achieved by the Fund's actively-managed holdings.

The Trustee is satisfied that the investment managers have suitable processes to consider ESG factors and take them into account, where relevant, in the selection, retention and realisation of funds and/or the underlying investments within the funds.

## 10 Corporate Governance

### Policy on non financial matters

- 10.1 The Trustee does not take into account the Fund members' and beneficiaries' views on non-financial matters, such as ethical considerations, in the selection, retention and realisation of investments. The Trustee will review the policy on non-financial matters periodically.

### Policy on exercising rights, engagement and monitoring of these

- 10.2 The Trustee believes that good stewardship and positive engagement can lead to improved governance and better risk-adjusted returns.
- 10.3 The Trustee also delegates undertaking engagement activities to the investment managers.
- 10.4 The Trustee acknowledges the importance of ESG and climate risk within its investment making framework. When delegating investment decision making to its investment managers it provides its investment managers with guidelines it expects the investment managers to follow. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate).
- 10.5 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 any 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.
- 10.6 The Trustee considers it to be a part of its investments managers' roles to assess and monitor developments in the capital structure for each of the companies in which the manager invests on behalf of the Fund. The Trustee also considers it to be part of its 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 Fund.
- 10.7 Should an investment manager be failing in these respects, this should be captured in the Fund's regular performance monitoring.
- 10.8 The Fund's investment managers are not subject to specific restrictions as to whether they hold any investment in the Sponsoring Employer's business or affiliated companies. Through its consultation with the Employer when setting this Statement of Investment Principles the Trustee has made the

Employer aware of its attitude to ESG and climate related risks, how it intends to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

- 10.9 The Fund's investment consultants, Barnett Waddingham, are 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.
- 10.10 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 it has 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.
- 10.11 The Trustee assessed the current stewardship approach of its investment managers based on information collated by the investment consultant and provided the respective managers and consider these to be of a satisfactory standard.
- 10.12 The Trustee will monitor and engage with the investment managers in relation to stewardship activities as follows:
  - The Trustee will, with support from the investment consultant, request and review the stewardship policies, voting and engagement activities of the Fund's investment managers. In case of any specific issues or questions being identified through this monitoring process, the Trustee will engage with the Fund's investment managers for more information and discuss any remedial actions taken.
  - The Trustee will also ask managers to attend meetings to present and discuss their stewardship activities, including details of any voting rights exercised.
- 10.13 When selecting investment managers, where appropriate and applicable, the Trustee will consider the Investment managers' policies on stewardship and engagement, and how those policies have been implemented.

## 11 Policy on arrangements with asset managers

### Incentivising alignment with the Trustee's investment policies

- 11.1 Prior to appointing the investment manager, the Trustee discusses the investment manager's benchmark and approach to the management of ESG and climate related risks with the Fund's investment consultant, and how they are aligned with the Trustee's own investment aims, beliefs and constraints.
- 11.2 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 its own investment objectives for the part of the portfolio being considered, it may use another manager for the mandate.
- 11.3 The Trustee carries out a strategy review at least every 3 years where it assesses the continuing relevance of the strategy in the context of the Fund and its aims, beliefs and constraints. The Trustee monitors the investment managers' approach to ESG and climate related risks on an annual basis.



- 11.4 In the event that the 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 may be terminated. The investment managers have been informed of this by the Trustee.
- 11.5 The Trustee is mindful that the impact of ESG and climate change may have 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 has acknowledged this in its investment management arrangements.
- 11.6 When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the 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 to be sufficient to ensure an appropriate alignment of interests.
- 11.7 The Trustee expects investment managers to be voting and engaging on behalf of the Fund's holdings and the Fund monitors this activity within the Implementation Statement in the Fund's Annual Report and Accounts. The Trustee does not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short-term targets.

### Method and time horizon for assessing performance

- 11.8 The Trustee monitors the performance of its investment managers over the medium to long time periods that are predetermined and consistent with the Trustee's investment aims, beliefs and constraints.
- 11.9 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.
- 11.10 The Trustee periodically reviews the appropriateness of the annual management charges.

### Portfolio turnover costs

- 11.11 The Trustee acknowledges that portfolio turnover costs can impact on the performance its investments. Overall performance is assessed as part of the regular investment monitoring process.
- 11.12 During the investment manager appointment process, the Trustee considers both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices.

### Duration of arrangement with asset manager

- 11.13 The suitability of the Fund's asset allocation and its ongoing alignment with the Trustee's investment aims, beliefs and constraints 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.

## 12 Agreement

- 12.1 This statement was agreed by the Trustees and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the fund managers, the actuary and the Fund auditor upon request.

## Appendix 1 Note on investment policy of the Fund as at July 2025 in relation to the current Statement of Investment Principles

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

- Credit Suisse UK Ltd
- Indosuez

Credit Suisse UK Ltd are authorised and regulated by the Financial Conduct Authority and Indosuez by the Swiss Financial Market Supervisory Authority FINMA. The Trustees have appointed Barnett Waddingham LLP to advise on investment matters in addition to advice received from the fund managers on suitability of investments.

12.3 The Trustees will usually appraise the Fund's asset allocation on at least an annual basis and, if they see fit, instruct the managers to undertake rebalancing to bring the Fund's high level assets in line with the target allocation.

12.4 The Trustees aim to cashflow match liabilities with a 100% bond asset base managed by their asset managers. This includes a mixture of UK government bonds, overseas government bonds and corporate bonds (both domestic and overseas). The income generated from the assets will be used to meet the Fund's liability obligations as they fall due.

12.5 The investment managers of the Fund invest in line with restrictions set out in the policy documents.

12.6 The decision on how to invest new money will usually be considered on an ad-hoc basis, with the starting point being to consider how to meet the objectives of the investment strategy as outlined in 11.3 above.