F C Brown Steel Equipment Limited Retirement Benefits Scheme

Statement of Investment Principles – May 2025

1. Introduction

1.1 The Trustee of the F C Brown Steel Equipment Limited Retirement Benefits Scheme (the "Trustee" of the "Scheme") has drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995 (as amended by the Pensions Act 2004) ("the Act"). It also seeks to meet the requirements of the Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015.

1.2 The investment responsibilities of the Trustee are governed by the Scheme's Trust Deed and Rules and relevant legislation. The Trustee has ultimate power and responsibility for the Scheme's investment arrangements.

1.3 The Scheme has two policies with Aviva:

- Policy F6410, which received contributions until June 1999, and
- Policy F57310, which received contributions from July 1999 to March 2006.

From March 2006, the Scheme ceased to have any active members and there were no arrangements for future accrual.

1.4 The Trustee will review this Statement at least once every three years, and without delay if there are relevant, material changes to the Scheme, including the member demographics.

2. Investment objectives

2.1 The Trustee recognises that members have differing investment needs and attitudes to risk, which may change during the course of their working lives. To support those who may not wish to actively manage their investments, the default investment option offered by the Scheme is designed to gradually move members' savings into lower-expected-risk asset classes as retirement approaches, to help mitigate the risk of large variability and/or falls in savings value as retirement approaches.

2.2 The Trustee believes it is their responsibility to make available a range of investment options sufficient to enable members to tailor their investment strategy to their own needs, whilst not overcomplicating member choice and administration. The following encapsulates the Trustee's investment objectives:

- To provide appropriate investment vehicles to enable members to invest to meet their risk and return preferences.
- To make available to members investment vehicles which aim to provide a range of asset classes to cater for different risk appetites, including options expected to provide long-term growth ahead of inflation.
- To establish a default investment strategy which is designed to be reasonable for any member not wishing to make his or her own decisions, supported by clear communication regarding its objectives.

3. Default investment strategy

3.1 The Default aims to generate investment returns, in a risk-controlled manner, which are sufficient to provide a reasonable level of retirement benefits for members, given the level of contributions paid over their lifetime in the Scheme.

3.2 The objectives of the Default, and the ways in which the Trustee seeks to achieve these objectives, are detailed below:

- To generate returns in excess of inflation during the growth phase of the strategy whilst managing downside risk. The majority of the growth phase of the Default invests in equities, which are expected to provide returns above inflation over the long term.
- During the five years up to retirement, the Default de-risks into an asset allocation targeting 25% cash (to match the 25% tax-free cash lump sum entitlement of members), and 75% into assets aiming to broadly match fixed-rate annuity price movements, thereby helping preserve members' annuity purchasing power.

3.3 The Default manages investment risks through a diversified asset allocation including equities, bonds and property. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the Default, the Trustee has explicitly considered the trade-off between risk and expected returns. The Trustee believes the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the member's age and when they expect to retire.

The remaining policies set out in this statement also apply to the Default.

4. The kinds of investments to be held

4.1 The Trustee's policy is to make available to members investment options covering a range of asset classes across the expected risk and return spectrum including equities, bonds, property and cash.

4.2 If members do not make a fund selection of their own, they will be automatically invested in the Scheme's Default investment option.

5. The balance between different kinds of investments

5.1 Outside the Default, members determine the balance between different kinds of investments they hold. This balance will determine the expected return on members' assets and should be related to the members' own risk appetite and tolerances.

6. Risk management and measurement

6.1 The Trustee has considered risk from a number of perspectives. The below list is not exhaustive but covers the main risks that the Trustee considers and how they are managed and measured:

Type of Risk	Risk	Description	How is the risk monitored and managed?
Market Risk	Inflation risk	The risk that the investment returns over members' working lives will not keep pace with inflation and do not, therefore secure an adequate retirement income.	The Trustee will make available a range of funds, across various asset classes, which they believe will outperform inflation over the long term. Performance is measured on a regular basis. The Trustee offers a default investment option aimed at achieving long term returns in excess of inflation, before de-risking into lower-expected-risk asset classes as retirement approaches. The Trustee offers a range of asset classes along the risk / return spectrum in order to allow members to tailor their choices in line with their risk tolerance. Within actively-managed funds, these market risks are the responsibility of the investment manager to the extent that the funds' objectives and constraints allow.
	Currency risk	The risk that fluctuations in foreign exchange rates will cause the value of overseas investments to fluctuate.	
	Credit risk	The risk that the issuer of a financial asset, such as a bond, fails to make the contractual payments due.	
	Equity, property, and other price risk	The risk that investment market movements lead to a substantial reduction in the anticipated level of retirement benefit.	
Environmental, Social and Corporate Governance ("ESG") risk		The risk that environmental, social, or corporate governance concerns, including climate change, have a financially material impact on the return of the Scheme's assets.	The day-to-day management of ESG-related risks is the responsibility of the investment managers. However, the Trustee will monitor how ESG considerations are integrated within the investment processes.
Investment Manager risk		The risk that an investment manager underperforms its objectives.	The Trustee will regularly review the performance of investment funds.

Type of Risk	Risk	Description	How is the risk monitored and managed?
Liquidity risk		The risk that the Scheme's assets cannot be realised at short notice in line with member demand.	The Trustee makes available a range of funds that are daily-dealt and monitors the promptness of core financial transactions annually.
Pension Conversion risk		The risks that the member is invested in a strategy that does not reflect the way in which they intend to take their benefits at retirement.	The Trustee offers members a range of investment options to cater for different retirement income needs. The default strategy de-risks members' savings into asset classes that reflect annuity purchase at retirement.

7. Expected return on investments

7.1 The Scheme's investment options have different expected returns depending on the asset class(es) invested in and the manager's objective. The equity-based options have the highest long-term expected return and are expected to achieve a long-term return ahead of price inflation (though this is not guaranteed). The cash-based option has the lowest long-term expected return and aims to provide capital preservation characteristics. The remaining investment options, including the default investment option, fall between these two on the expected risk and return spectrum.

8. Realisation of investments

8.1 The pooled investment vehicles used are daily dealt, with assets mainly invested in regulated markets and therefore should be realisable at short notice, based on either Trustee or member demand. The selection, retention and realisation of investments within the pooled investment vehicles is the responsibility of the relevant investment manager.

9. Financially-material consideration

9.1 Policies regarding the factors the Trustee considers financially material, including Environmental, Social and Governance ("ESG") factors, are set out in section 6 above. Given the money purchase nature of the Scheme's benefits, the Trustee is aware the time horizon for members' investments may be relatively long; this is considered as part of any investment decision-making by the Trustee.

10. Non-financial matters

10.1 The Trustee's objective is that the financial interests of the Scheme members are its foremost priority when choosing investments.

10.2 The Trustee only considers factors that are expected to have a financial impact on the Scheme's investments. Non-financial matters are not taken into account in the selection, retention and realisation of investments. For this purpose, non-financial matters mean the views of the members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the Scheme.

11. Responsible Investment and Corporate Governance

11.1 The Trustee believes that environmental, social, and corporate governance ("ESG") factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustee also recognises that long-term sustainability issues, including climate change, present risks and opportunities that increasingly require explicit consideration.

11.2 The Trustee has given underlying investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and best practice. The Trustee will monitor voting and engagement activity by the underlying investment managers annually.

12. Incentivising investment managers

12.1 The fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the Trustee's policies.

12.2 The investment manager is remunerated by ad valorem charges based on the value of the assets that it manages on behalf of the Plan. None of the underlying managers in which the Scheme's assets are invested have performance-based fees which could encourage the manager to make short term investment decisions to hit their targets.

12.3 The Trustee therefore considers the method of remunerating fund managers to be consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, it will in turn encourage the investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

12.4 The Trustee accepts it cannot influence the charging structure of the pooled funds in which the Scheme is invested but is satisfied that the ad-valorem charges for the different underlying funds are clear and are consistent with each fund's stated characteristics. The Trustee is therefore satisfied that this is the most appropriate basis for remunerating the underlying investment managers and is consistent with the Trustee's policies as set out in this SIP.

13. Assessing medium to long term performance of investments

13.1 Performance in the medium to long term can be improved where investment managers (i) make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity; and (ii) engage with issuers of debt or equity.

13.2 The Trustee monitors how the investment managers make decisions based on the long-term sustainability of investee companies, their own ESG policies and their approach to climate related risks and disclosures. Where the Trustee has concerns, it will raise these with the investment manager.

14 Duration of arrangements with investment managers

14.1 The Trustee is a long-term investor and is not looking to change the investment arrangements on a frequent basis; therefore, there is no set duration for the manager appointments. The Trustee will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The manager appointment has been reviewed and the Trustee has decided to terminate.

15 Portfolio turnover costs

15.1 The Trustee monitors portfolio turnover costs, which are incorporated in the annual costs and charges, on an annual basis as part of its annual value for members assessment.

15.2 As the Scheme invests through pooled funds, the Trustee is unable to define target portfolio turnover ranges for funds. However, it will engage with an underlying investment manager if portfolio turnover is higher than expected.

16 Illiquid assets

16.1 The Trustee considers illiquid assets as assets of a type which cannot easily or quickly be sold or exchanged for cash; including where such assets are invested as a component of a daily-dealing multi-asset fund.

16.2 The Scheme's default option includes a 10% allocation to property, via a collective investment scheme. The Trustee is comfortable with the extent of this allocation for the purposes of return generation, risk management, and asset class diversification.

16.3 The Trustee uses both qualitative and quantitative analysis to evaluate the expected impact of different strategic allocation mixes when selecting investments for the default option. They carefully consider whether each investment provides value for members, taking into account the potential returns and associated risks. Risks may include the possibility that valuations may not reflect the true value of these assets at any given time and potential challenges related to liquidity management.

16.4 The Trustee remains comfortable with the current level of illiquid assets investment in the Scheme in the context of the above considerations and will keep this under review as part of any investment strategy review activity. Currently, the Trustee has no plans to increase the level of investment in illiquid assets within the Scheme.

17 Day-to-Day Management of the Assets

17.1 The day-to-day management of the assets of this Scheme has been delegated to Aviva Life & Pensions UK Limited.

18 Review of this Statement

18.1 The Trustee will review this Statement at least every three years, and without delay in response to any material changes to any aspect of the Scheme, which they judge to have a bearing on the stated policies.

18.2 This review will include a review that the choice of funds remains appropriate. Any such review will again be based on written expert advice and will be undertaken in consultation with the Scheme's Sponsoring Employer.

Approved by the Trustee of the F C Brown Steel Equipment Limited Retirement Benefits Scheme on the 22 May 2025