Statement of Investment Principles

This is the Statement of Investment Principles (the "Statement") made by the Trustees of The John Swire & Sons Pension Plan ("the Plan") in accordance with the Pensions Act 1995 (as amended). The Statement, which was approved by the Trustees on 25 April 2023, is subject to periodic review at least every three years and without delay after any significant change in investment policy.

In preparing this Statement, the Trustees have consulted with the employer to the Plan (John Swire & Sons Ltd) and have taken and considered written advice from the Investment Practice of Hymans Robertson LLP.

The Trustees are supportive of the UK Stewardship Code which seeks to improve the quality of engagement between institutional investors and investee companies. Where appropriate, the Trustees expect investment managers to comply with the code and to produce a statement of their commitment to the code.

Plan objective

The primary objective of the Plan is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis.

The Trustees' over-riding funding principles for the Plan are to set the investment strategy and the employer contributions at a level which is sufficient to:

- build up assets to cover the value placed on the accrued liabilities and meet the ongoing Plan management expenses; and
- to ensure that there are always sufficient assets of the Plan (at their realisable value) to meet 100% of benefits as they fall due for payment to members.

The value of liabilities is calculated on the basis agreed by the Trustees and the Plan Actuary. The funding position is monitored regularly by the Trustees and formally reviewed at each triennial actuarial valuation, or more frequently as required by the Pensions Act 2004.

Investment strategy

The Trustees have translated their objectives into suitable strategic asset allocation benchmarks for all sections of the Plan.

The Plan's liabilities are fully insured via three bulk annuity insurance contracts, with remaining assets consisting of cash. The Trustees' investment strategy for the remaining assets is to maintain a portfolio that will provide sufficient liquidity to meet ongoing expenses and help facilitate timely payment of benefits as required. The level of liquidity is monitored periodically by the Trustees to ensure that it remains appropriate for controlling the risks identified under the 'Risk' section of this Statement.

The Trustees have delegated all day to day investment decisions regarding the Plan assets to an authorised investment manager and insurers for the buy-in policies.

The Plan's assets outside of the buy-in policies are largely invested in cash and cash-like instruments and therefore the Trustees do not formally monitor the performance of the cash, albeit the Trustees may carry out reviews of performance vs the benchmark as required.

Choosing investments

The Plan's assets are largely in the form of annuity contracts with insurers, for the remainder of the assets, the Trustees have appointed an investment manager to manage them. The investment manager is authorised under the Financial Services and Markets Act 2000 to undertake investment business. All day to day investment decisions have been delegated to the authorised investment manager, subject to their benchmark and asset guidelines.

Given the size and nature of the remaining assets, the Trustees do not consider it necessary to review the nature of the Plan investments, their suitability and diversification on a regular basis. Should such a review be required at any time in the future, the Trustees will seek and consider written advice from a suitably qualified person in undertaking such a review. If, at any time, investment in a security or product not previously known to the Trustees are proposed, appropriate advice is sought and considered to ensure its suitability and diversification.

Kinds of investment to be held

The Plan may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds. The Plan may also make use of contracts of insurance, derivatives and contracts for difference (or in pooled funds investing in these products) for the purpose of efficient portfolio management or to hedge specific risks. The Plan may also utilise annuity contracts provided by insurance companies. The Trustees consider all of these classes of investment to be suitable in the circumstances of the Plan.

Where appropriate, and where commercial considerations permit, the terms of the mandate and the basis on which the manager is engaged will be defined specifically for the Plan. Where such tailoring is not directly achievable or appropriate, the Trustees will invest in pooled funds where the objectives of the fund and the policies of the investment manager will be evaluated by the Trustees to ensure that they are appropriate for the needs of the Plan. The Trustees have decided to invest the Plan's remaining assets i.e. those not related to the buy-in policies, in a pooled fund and are satisfied that the pooled fund selected is consistent with the objectives of the Plan, including diversification, risk, expected return and liquidity.

Investment manager remuneration

Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations and typically set on an ad valorem basis. Where appropriate to the nature of the mandate, the term of the mandate and the role the mandate plays within the investment strategy, the Trustees may agree to a fee structure where the manager is incentivised to deliver outperformance relative to an agreed benchmark, typically in conjunction with a lower ad valorem fee. Given the nature of the remaining assets, the Trustees do not routinely conduct a review of the fees paid to their manager against industry standards, but are mindful of this and will review from time to time as required.

Balance between different kinds of investments

The Plan's investment manager will hold a mix of investments which reflects their views relative to their respective benchmarks or return targets. Within each major market each manager will aim to maintain a diversified portfolio of assets. The majority of the Scheme's assets are now held in a number of insurance policies which insure the future benefits of the full population of the Plan's membership. As such, the Trustees accept that the principles of balance between investments are only applicable to the remaining assets i.e. those not connected to the buy-in policies.

Expected return on investments

The Plan's remaining assets i.e. those not allocated to the buy-in policies, are invested in a cash fund (with small balances also remained in the Trustees' bank accounts) mainly for the purpose of liquidity management however, the Trustees expect the fund to also deliver investment returns broadly consistent with the prevailing short-term interest rates.

Realisation of investments

The proportion of the Plan's investments held in a cash fund may be realised quickly if required. The bulk annuity insurance contracts that the Trustees have entered into cannot be realised.

Risk

Funding risks

As part of their risk management strategy the Trustees have entered into bulk annuity insurance contracts in respect of the vast majority of the Plan's liabilities (deferred benefits and pensions in payment), noting a true-up exercise will take place at a later date in relation to the remaining active members of the Plan. Under the policies, the insurers make monthly payments to the Plan sufficient to cover the routine benefit payments for all Sections of the Plan. The insurers carry the risk of longevity for members, as well as the investment risks for this proportion of the Plan's assets.

All of the members covered by the bulk annuity contracts continue to be members of the Plan and the Trustees continue to have ultimate responsibility for the payment of benefits to these members.

Given the strong level of funding, low risk investment strategy and bulk annuities in place, the Trustees focus is on the risks associated with ongoing cashflow management for the Plan. In particular, the Trustees have considered the Section's funding level sensitivity to:

- Liquidity, and in particular maintaining sufficient liquidity to meet the ongoing expenses of the Plan; and
- Systemic risk, the possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers/ insurers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Plan's liabilities.

The Trustees expect the bulk annuity purchases to immunise the Plan from market risks such as credit, interest rate, inflation and longevity risk, for those liabilities that are covered by the bulk annuity contracts.

The Trustees expect the buy-in provider risk to be addressed through the supervisory regime applicable to insurance companies but monitors the monthly payments of benefits from the buy-in providers to the Plan.

Asset risks

In respect of the remaining, non-buy-in assets, the Trustees also consider the below as key asset risks facing the Plan:

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity - The risk that the Plan cannot meet its immediate liabilities because it has insufficient liquid assets.
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.
- Environmental, Social and Governance (ESG) risks – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.

- Climate risk - The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

The Trustees accept that management of these risks is limited by the size and nature of the residual assets however, the Trustees aim to manage these risks as far as possible. The Trustees provide a practical constraint on Plan investments deviating greatly from the intended approach by investing in a fund with a defined objective and performance benchmark.

The Trustees' approach to the consideration of ESG risks and climate risk is set out in further detail in later sections.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets. When carrying out significant transitions, the Trustees seek professional advice.

- Custody risk - The risk of loss of Plan assets when held in custody or when being traded.

- Credit default - The possibility of default of a counterparty in meeting its obligations.

- Operational risk – The risk of loss as a result of fraud, cyber-attacks, poor advice, acts of negligence or lack of suitable process.

- Legislative risk – The risk that the Plan's investment manager or insurer fails to comply with changes to legislation.

The Trustees monitor and manage risks in these areas through a process of regular scrutiny of their providers, and audit of the operations they conduct for the Plan, or have delegated such monitoring and management of risk to the appointed investment manager as appropriate (e.g. custody risk in relation to pooled funds).

Manager engagement

Performance evaluation

The Trustees undertake periodic service provider reviews in which the ongoing appropriateness of the Plan's manager arrangements are considered. The Trustees do not expect their manager to take excess short-term risk. The Trustees periodically review the Plan's investments and the manager, including investment performance of each mandate relative to their respective benchmark or performance target on a short, medium and long-term basis. Material deviation from performance targets is likely to result in the mandate being formally reviewed. The Trustees periodically review the manager's exercising of stewardship responsibilities (including engagement with issuers) as set out in greater detail below, and the management of risks.

Portfolio turnover

Given the Plan's non-insured assets only consists of cash, the Trustees expect the turnover in assets to be low.

Whilst the Trustees expect performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustees expect the manager to report on at least an annual basis on the underlying assets held within the portfolio and details of any transactions over the period. The Trustees will challenge their manager if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

The Trustees are also mindful of turnover costs and will request information on these from the asset manager when appropriate.

Consideration of financially material factors in investment arrangements

The Trustees recognise that the consideration of financially material factors, including ESG factors, is relevant at different stages of the investment process. The Trustees therefore use appropriate long-term economic and financial assumptions when considering expected risk/return profiles for different asset classes. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors.

Given the inherent uncertainty, the Trustees have not made explicit allowance for the risks of climate change when assessing the Plan's assets and investment strategy.

The Trustees expect their investment manager to take all financially material factors into account where relevant and the terms of the mandate permit.

In selecting new investment managers for the Plan, where relevant to the investment mandate, the Trustees explicitly consider potential managers' approach to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision making.

Consideration of non-financially material factors in investment arrangements

The Trustees have not imposed any restrictions or exclusions to the investment arrangements based on non-financially material factors.

Stewardship

The Trustees recognise that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies. Given the Plan's non-insured assets are now fully invested in a cash fund, the Trustees understand that opportunities for issuer engagement may be limited.

Voting and engagement

Where relevant, the Trustees have reviewed the voting policies of their investment manager and determined that they were appropriate.

The Trustees do not engage directly but believe it is appropriate for their investment manager to engage with key stakeholders which may including corporate management, regulators and government bodies, relating to their investments in order to consider the management of conflicts of interest and improve corporate behaviours, improve performance and mitigate financial risks. The Trustees will review engagement activity undertaken by their investment managers as part of their broader monitoring activity.

Responsibility for investment decisions has been delegated to the investment manager which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where the manager is responsible for investing in new issuance, the Trustees expect the manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The Trustees separately consider any conflicts of interest arising in the management of the Plan and its investments and have ensured that the manager has an appropriate conflicts of interest policy in place.

Monitoring

Given the Plan does not currently invest in any assets with voting rights, the Trustees do not review any voting activity. If this changes in the future, the Trustees will monitor the investment manager's voting activity and voting patterns. The Trustees may also monitor voting on particular companies or issues affecting more than one company.

Additional Voluntary Contributions (AVCs)

Members are not permitted to open new AVC policies.

Signed For and on Behalf of the Trustees of the John Swire & Sons Pension Plan.

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Trustee	Trustee