

# **The Calor Group Retirement Benefits Plan**

## **Statement of Investment Principles**

This document is the Statement of Investment Principles (the 'Statement') for The Calor Group Retirement Benefits Plan (the 'Plan').

### **Background information on this Statement**

This Statement has been drawn up by the Trustee of the Plan, Calor Pension Trust Limited (the 'Trustee'). It sets out the principles governing investment decisions made by the Trustee in relation to the Plan.

The Statement is a legal requirement of the Pensions Acts 1995 as amended by the Pensions Act 2004, the Occupational Pension Plans (Investment) Regulations 2005, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 as amended (collectively referred to as the 'Pensions Acts'). For the avoidance of doubt the Investment Arrangements summary (Appendix C) does not legally comprise part of the Statement.

In preparing this document the Trustee has taken into account the requirements of the Pensions Acts. The principles set out in this Statement are also consistent with the Trustee's Statement of Funding Principles.

The investment powers of the Trustee are set out in Clauses 6.1 to 6.3 of the Plan's Constitutional Rules, dated 17 September 2014. This statement is consistent with those powers.

### **Contents of this Statement**

The Statement covers the following principles:

1. Governance arrangements
2. Investment objectives
3. Risk management policies
4. General investment policies
5. Agreeing and reviewing this Statement
6. Investment arrangement details

## 1. Governance arrangements

### Overview of the arrangements

The Trustee has ultimate responsibility for the management of the investment arrangements of the Plan and its assets. In discharging these responsibilities, the Trustee has established clear Investment Objectives setting out what it is aiming to achieve. The Investment Objectives relate to the overall solvency position of the Plan and are explained in more detail in the next section of this Statement. The solvency position is an assessment of the amount of assets which have been put aside to meet the liabilities of the Plan.

The Trustee has considered a number of different governance models that could be adopted in order to best achieve its Investment Objectives and has decided to delegate the day-to-day management of the solvency position to a specialist firm. This specialist firm is known as a Fiduciary Manager.

Under this governance model the Trustee focuses on setting the high-level Investment Objectives and on deciding what types of investments and approach to investing are acceptable for the Plan. It then delegates day-to-day responsibility for all investment decisions to the Fiduciary Manager. The Trustee considers that the Fiduciary Manager is best placed to invest the assets on its behalf. The Trustee has agreed a performance target and set of guidelines for the Fiduciary Manager.

The Plan's current Fiduciary Manager is Goldman Sachs Asset Management International ("GS AM"). GS AM were appointed as Fiduciary Manager on 16<sup>th</sup> May 2024 taking over from Cardano Risk Management Limited ("Cardano").

### Other parties involved

There are a number of parties involved in the Plan's investment arrangements, namely:

- Trustee
- Plan Actuary
- Investment managers
- Custodian
- Providers of direct investments

Further information on the investment responsibilities of different parties can be found in Appendix A.

### Responsibility and knowledge

The Trustee has ultimate responsibility for the management of the Plan and its assets. The Trustee has agreed the overall investment objective, permissible investment strategies and guidelines for the assets. The Trustee has appointed GS AM as Fiduciary Manager who have been delegated the task of day-to-day management of the Plan's investments. The Trustee and the Fiduciary Manager have agreed to a legally binding contract called the Investment Management Agreement ("IMA") which obligates the Fiduciary Manager to follow a prescribed investment strategy as determined by the Trustee. It spells out the guidelines under which the Fiduciary Manager must implement and execute the asset allocation.

The Trustee confirms that all parties to whom it delegates responsibility have the appropriate knowledge and experience required to take on this role. The Trustee

expects each party to carry out the duties so delegated with a view to giving effect to the principles in this Statement, so far as is reasonably practical.

## 2. Investment objectives

The Trustee's primary objective is to provide sufficient assets to meet the members' entitlements under the Constitutional Rules as they fall due. The Trustee has set an objective for the Plan's investments to target this primary objective, which is called the 'Investment Objective'.

The Investment Objective is a quantifiable statement comprising a return objective and a risk statement.

- The **return objective** states the level of return on the assets relative to an economic measure of the liabilities that the Trustee is targeting
- The **risk statement** defines the level of confidence the Trustee has in the funding ratio (i.e. the ratio of assets to liabilities) being above a certain level over a certain defined time period

These risk and return objectives are currently under review by the new Fiduciary Manager, GSAM as part of the Plan's investment strategy review.

The liability benchmark is defined as the liabilities scaled by the funding ratio.

The liabilities are calculated as the net present value of the Plan's projected pension cashflows, using rates implied by the gilt markets.

### Process for setting the Investment Objectives

The Return Objective and Risk Statement have been set by the Trustee on the basis of an assessment of the Plan's current position and consideration of future uncertain events. This involved looking at the Trustee's overall objectives for the Plan, the Statement of Funding Principles and the Plan's financial position (including the strength of the sponsoring employer's covenant). As part of this exercise a number of assumptions were made in relation to the level and timing of future contributions.

Responsibility for the setting and oversight of investment strategy lies with the Trustee, although they do so in consultation with the Sponsor. While the Trustee board is comprised of diverse individuals who bring various expertise, background, and perspective, they have chosen to seek expert outside advice to assist in achieving the Plan's Investment Objectives.

The main tool the Trustee employs to manage the Plan's investments is the Strategic Asset Allocation ("SAA"). The SAA is the basic guideline that determines in which asset classes the Plan's assets will be invested, in what proportions and within what ranges. This decision is driven by the Trustee's risk tolerance, time horizon, and overall Return Objective. Although regularly reviewed, the SAA has a long term perspective and generally will not change significantly – but rather gradually, as the Plan evolves over time.

The basic principle the Trustee has adopted in developing the SAA is to view the Plan's assets in two primary categories: Growth Assets (which seek to achieve returns above the Matching assets over the long term); and Matching Assets (which seek to match the risk profile of the Plan's liabilities and thereby manage funding level risk).

Currently the target split between Growth Assets and Matching assets is as set out below:

	<b>Growth Assets</b>	<b>Matching Assets</b>
<b>Minimum</b>	55%	35%
<b>Maximum</b>	65%	45%

The Trustee recognises that investing in Growth Assets will bring increased risk of funding level volatility, but with the expectation of improvements in the Plan's funding level through equity and other Growth Asset outperformance over the liabilities over the long term.

The Growth Assets are split into a Private Markets Portfolio and a Public Markets Portfolio. The Private Markets Portfolio consists of 'Legacy Investments' in Investment Funds or Investment Fund of Funds to access exposures not traded on public markets such as Private Credit, Private Real Estate and Private Equity. As committed capital is called and due to market movements, the allocation to the Private Markets Portfolio is expected to increase over time before these investments start to distribute and wind down. The Fiduciary Manager is not permitted to make any further investments in Private Markets.

Finally, in considering the appropriate investments for the Plan, the Trustee has obtained and considered the written advice of GS AM as Fiduciary Manager, whom the Trustee believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustee's opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

The Trustee also hired an independent Investment Consultant (currently Barnet Waddingham), who assists the Trustee in reviewing the performance and recommendations of the Fiduciary Manager periodically.

### **3. Risk management policies**

The Trustee recognises that a number of risks are involved in the investment of the Plan's assets. It is the Trustee's policy to monitor regularly the risks affecting these investments, and to manage them where possible so as to avoid the accumulation of excessive risk exposure. In managing these risks, the Trustee has regard to the Investment Objectives. The Trustee will work with the Fiduciary Manager to promptly identify any material risks, to consider how best they should be managed, to implement a solution for managing these risks and then to decide how they should be monitored in the future. The Trustee will review its risk management policy on a regular basis.

#### **Key risk affecting the Plan**

The key risk to the Plan is that the value of assets is inadequate relative to the value of the liabilities. Ultimately, this could lead to there being insufficient assets to secure all benefits. This is called solvency risk.

The Trustee acknowledges that there are a number of individual risk factors which have the potential to contribute to solvency risk. 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. The Fiduciary Manager helps manage these risks and also assists by providing risk analysis using quantitative modelling techniques.

### **Other risk factors**

There are a number of other risks affecting the Plan. Further information on the main risk factors are described in Appendix B, along with a summary of the Trustee's policy on how each risk should be managed and measured.

## **4. General investment policies**

The Trustee has set a number of investment policies in relation to their investments, in conjunction with the Fiduciary Manager. These cover:

- Types of investments considered
- Balance between investment types
- Expected return on investments
- Realisation of investments
- Use of derivatives
- Responsible investment & corporate governance
- Investment manager arrangements
- Ensuring compliance with the Pensions Acts
- Fee basis for service providers

### **Types of investments considered**

The Trustee seeks to achieve the Plan's Investment Objective by investing in a suitably diversified mix of assets.

In deciding the suitability of each investment strategy or type, the Trustee has considered the role of each in targeting the overall investment objective, taking into account the associated risks and potential rewards, and will continue to do so on a regular basis. This assessment has been made by the Trustee following training and advice from the Fiduciary Manager. It is the Trustee's policy to review the suitability of different investment strategies/types from time to time.

The Plan has made an investment in an Asset Backed Contribution ('ABC') arrangement set up in conjunction with the Employer that provides an annual income which is derived from certain assets transferred to a specifically established subsidiary company by the Employer and over which the Trustee has security.

The Trustee monitors from time-to-time the Employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically, this check is carried out annually by the Plan's auditors.

The Trustee also owns a portfolio of annuities with Aviva in respect of some pensioners' liabilities.

### **Balance between investment types**

It is the Trustee's policy to set appropriate guidelines for the Fiduciary Manager which control the balance between the investment types and reflects its investment objectives.

In setting these guidelines the Trustee has considered the characteristics of each of the investment types and has received training and advice from the Fiduciary Manager. The Trustee has also considered the need for flexibility and the overall control of risk. The Fiduciary Manager has been given discretion to manage the balance between the investment types of the Plan within the guidelines set by the Trustee. The Fiduciary Manager considers the risk and return characteristics of each of the investment types when allocating the assets between them. The Trustee will review the balance between the investment types and guidelines from time to time.

The current guidelines are set out in the Investment Arrangements Summary (Appendix C). We note that portfolio investments may be significantly impacted in periods of market volatility or turmoil and as such portfolio allocations could deviate from the stated strategy.

### **Expected return on investments**

The Trustee's policy in relation to expected return on investments is to invest in the assets which it believes will, over an appropriate time horizon and having a regard to the need to manage risk appropriately, achieve the Return Objective. When setting the investment guidelines, the Trustee has considered the expected return, and associated risk for each investment type.

The Trustee monitors the return on the different investment types on a regular basis using reporting provided by the Fiduciary Manager. In the case of severe underperformance, the Trustee expects the Fiduciary Manager to review the investments in light of the prevailing economic conditions.

### **Realisation of investments**

As part of the ongoing management of the Plan, it is necessary for the Trustee to realise investments from time to time. It is the Trustee's policy to ensure that the Fiduciary Manager considers a number of core factors when considering the realisation of investments. These include:

- The potential future returns and risks of the investment
- The liquidity of the investment
- The ongoing appropriateness of the investment

The balance between the benefit payments and future contributions into the Plan was considered when reviewing the need to realise investments. These considerations will be kept under review.

The Trustee has delegated decisions relating to the realisation of investments to the Fiduciary Manager within the agreed guidelines.

All realisations made by the Fiduciary Manager will be done in accordance with the terms and conditions contained in the agreement between the Fiduciary Manager and the Trustee. It is the Trustee's policy to review the approach taken by the Fiduciary Manager to realise investments from time to time.

Ultimately, the investments will all have to be sold when the Plan'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 Plan accounts.

## **Use of derivatives**

As part of the overall consideration of investments the Trustee has agreed to use derivatives such as, but not limited to, FX forwards, futures, swaps, repo and options for risk management and for the efficient implementation of the investment strategy. The Trustee has delegated responsibility for the design and implementation of derivatives strategies to the Fiduciary Manager. The design and execution of derivative strategies will be subject to the guidelines contained in the agreement between the Fiduciary Manager and the Trustee. The Fiduciary Manager will use derivatives within the portfolio when it deems appropriate to do so in order to support the achievement of the Trustee's Investment Objective within the agreed guidelines.

For the avoidance of doubt, any investment in derivative instruments is only made to contribute to a reduction in the overall level of risks in the portfolio or for the purposes of efficient portfolio management.

## **Responsible investment & corporate governance**

### ***Financially material considerations over the appropriate time horizon of the investments***

The Trustee has a long term time horizon for their portfolio and therefore acknowledges that being a responsible investor should improve financial outcomes. The Trustee considers responsible investment to be the integration of environmental, social and governance (ESG) factors into investment decisions in respect of their portfolio where financial risk and / or return is or could be materially affected ("Responsible Investment"). These considerations include the potential impact of climate change.

The Trustee has delegated responsibility to take account of ESG factors in investment decision making to the Fiduciary Manager and the AVC Providers. Where the Plan assets are held in pooled arrangements, the Trustee expects the Fiduciary Manager and the AVC Providers to take into account ESG factors, consistent with its approach to Responsible Investment. The Fiduciary Manager and the AVC Providers are responsible for ensuring that the external investment managers appropriately incorporate ESG factors within their investment process. Monitoring by the Trustee of the Fiduciary Manager is undertaken on a quarterly basis. Monitoring by the Trustee of the AVC Providers is undertaken on an annual basis.

### ***The extent to which non-financial matters are taken into account in the selection, retention and realisation of investments***

The Trustee does not take the views of individual members and beneficiaries, including (but not limited to) their views in relation to governance, social and environmental impact, into account when making investment decisions. However, the Trustee believes that by being a responsible investor, it is managing investment risk with the aim of enhancing long term portfolio returns, which is in the best interests of the members and beneficiaries of the Plan.

### ***The exercise of the rights (including voting rights) attaching to the investments***

In relation to corporate governance and activism (including the way in which any rights attaching to investments, such as voting rights, are exercised), the Trustee has adopted a policy of delegating voting decisions on stocks to the investment managers who will exercise the voting rights attached to any individual investments on their behalf, in accordance with their own house policies.

The Fiduciary Manager encourages the Plan's investment managers to discharge their responsibilities in respect of investee companies in accordance with the Stewardship Code published by the Financial Reporting Council.

### ***Undertaking engagement activities in respect of the investments***

The investment managers, acting on behalf of the Trustee, are expected to have an interest in ensuring that corporate management act in the long term interests of shareholders or bondholders and will, where impactful and possible engage with management.

Where relevant, the Trustee prefers its investment managers to have an explicit strategy, outlining the circumstances in which they will engage with a company (or issuer of debt or stakeholder) on relevant matters (including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance matters) and how they will measure the effectiveness of this strategy.

The Fiduciary Manager and the AVC Providers are responsible for engaging with investment managers regarding those investment managers' voting records and level of engagement with the underlying investments, where this is expected to have meaningful impact. The Fiduciary Manager will report on this to the Trustee on a quarterly basis.

The Trustee has selected three key stewardship priorities for investment manager engagement, in order to improve alignment with its policies as well as enhance disclosure. The priorities are linked to the UN Sustainable Development Goals with an aim to improving responsible investment characteristics within the portfolio and ultimately deliver better outcomes to our members. The Trustee's stewardship priorities are:

- Climate Crisis
- Environmental Impact
- Human Rights

The Trustee expects its investment managers to consider these priorities into their voting practices and the Fiduciary Manager will monitor manager disclosures to ensure alignment against them.

### **Environmental, Social & Governance (ESG) Factors**

The Trustee believes that ESG factors may have a financially 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, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustee has also taken into account the expected time horizon of the Plan when considering how to integrate these issues into the investment decision making process.

The Trustee has delegated all day-to-day decisions about the Plan's investments, including the selection, retention and realisation of investments and the selection and retention of investment managers, to the Fiduciary Manager. As part of its delegated responsibilities, the Trustee expects the Fiduciary Manager to consider financially material considerations (including ESG factors such as long-term risks posed by sustainability concerns, including climate change risks).



Investment managers may be delegated responsibility for the selection, retention and realisation of the investments, within their respective mandates. As part of their delegated responsibilities, the Trustee expects the investment managers to consider financially material factors, which may include corporate governance, social, and environmental considerations (including ESG factors such as long-term risks posed by sustainability concerns, including climate change risks) in the selection, retention and realisation of investments.

The Fiduciary Manager selection process for investment managers includes the consideration of ESG factors where deemed relevant as part of the criteria which may be taken into consideration in their research and selection of investment managers and investments included in the portfolio. The Trustee expects that for some types of investment, ESG factors may be less relevant e.g. liquid alternatives and Hedge Funds.

The Trustee regularly engages with the Fiduciary Manager to monitor performance of the portfolio, including, where relevant, how it takes account of financially material factors.

Non-financial matters including but not limited to members' views in relation to social and environmental impacts are not explicitly taken into account in the selection, retention and realisation of investments. However, members have a variety of methods by which they can make views known to the Trustee.

### **Arrangements with the Fiduciary Manager**

The Trustee delegates various activities in relation to the Plan's investments to the Fiduciary Manager as set out in this Statement. The Fiduciary Manager is responsible, in particular, for ensuring each underlying investment manager is aligned with the Trustee's policies as set out below.

The Trustee keeps the Fiduciary Manager's performance under review, focusing on longer-term outcomes. The Trustee receives regular reports from the Fiduciary Manager, including on portfolio turnover costs incurred by the underlying investment managers. The Trustee review process includes specific consideration of how the Fiduciary Manager has implemented the responsible investing policies and engagement activities included in this Statement.

Although the Trustee's arrangement with the Fiduciary Manager is expected by the Trustee to be a long-term partnership, the Fiduciary Manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team or where the Fiduciary Manager fails to ensure alignment between underlying investment managers and the Trustee's policies.

The Fiduciary Manager levies a fee based on a percentage of the value of the assets under management which covers the provision of strategic advice and investment management of the assets. The Trustee expects the Fiduciary Manager to be cognisant of the turnover of the portfolio and costs associated with turnover but the Trustee has no target turnover or turnover ranges. The Fiduciary Manager considers turnover and associated costs at several levels: 1) at the total portfolio level turnover costs are taken into account as part of regular rebalancing decisions; 2) turnover at the level of investment managers is periodically reviewed as part of the wider ongoing investment manager review processes; 3) investment manager performance is reviewed net of turnover costs; and 4) total portfolio turnover costs are

incorporated into portfolio costs reporting. The Trustee reviews the costs incurred in managing the Plan's assets annually.

### **Investment Manager arrangements**

The Fiduciary Manager selects investment managers and negotiates their fees on behalf of the Trustee. The Trustee expects the Fiduciary Manager to ensure (where possible) that investment managers' investment guidelines and restrictions align to the SIP and focus on medium to long-term performance in order to align manager actions to the Trustee's investment time horizons where appropriate. The Trustee also expects, and where possible, that investment managers use any rights associated with the investment to drive better long-term financial and non-financial outcomes (including on ESG and stewardship matters).

Investment managers are typically paid an ad valorem fee which is normal market practice, with some investment managers paid a performance fee with appropriate hurdle rates and high water marks. As part of the selection process, the Fiduciary Manager considers the fee structures of investment managers and seeks to ensure fee structures are aligned to an appropriate degree with Trustee's interests. Additionally, the Fiduciary Manager reports regularly to the Trustee setting out portfolio costs and charges at a total portfolio level but also for each individual strategy within the portfolio. The Fiduciary Manager also provides regular reporting which includes turnover costs based on calculation assumptions in line with MiFID costs and charges reporting in relation to allocation changes at the overall portfolio level.

The Trustee believes that an understanding of, and engagement with, underlying Investment Managers' arrangements is required to ensure they are aligned with Trustee policy, including its Responsible Investment policy. In accordance with latest regulation, it is the Trustee's policy to ensure that the following are understood and monitored:

- How investment manager arrangements incentivise investment managers to align their strategy and decisions with the Trustee's policies
- How investment manager arrangements incentivise investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term
- How the method (and time horizon) of the evaluation of investment managers' performance and their remuneration are in line with the Trustee's policies
- Portfolio turnover costs incurred by the investment managers, in the context of the investment manager's targeted portfolio turnover (defined as the frequency within which the assets are expected to be bought or sold)
- Duration of the arrangement with the investment manager

Stewardship policies and voting records are reviewed (and discussed with the investment managers) at least annually by the Fiduciary Manager, who will collate the qualitative and quantitative information required to allow the Trustee to review all of the above aspects in sufficient detail each year. The Trustee will challenge any

arrangements or stewardship practices that do not align with their Responsible Investment approach.

### **Compliance with the Pensions Acts**

The Pensions Acts distinguish between investments which are purchased directly by the Trustee ('direct investments') and investments where management is delegated to an investment manager under a written contract. An example of the former would be the purchase of an insurance policy by the Trustee (e.g. additional voluntary contributions policies), where there is no investment management agreement.

When deciding whether to make any new direct investments, the Trustee will obtain written advice from their Fiduciary Manager. They will also consider whether future decisions about those investments should be delegated to an investment manager. The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals.

This written advice will cover the issues set out in the Pensions Acts and the principles contained in this Statement.

It is the Trustee's policy to regularly monitor and review the practices of the Fiduciary Manager (and, if applicable, any other investment manager appointed by the Trustee under the Pensions Acts) to ensure that the Trustee's powers of investment are being exercised in accordance with the Pensions Acts, and with a view to giving effect to the principles in this Statement as far as practicable. If the Trustee becomes aware that any manager is not carrying out its duties in accordance with the Pensions Acts or this Statement, it will promptly review this situation with the Fiduciary Manager. GS AM, as current Fiduciary Manager, is authorised and regulated by the Financial Conduct Authority

### **Additional Voluntary Contributions (AVCs)**

The Trustee has contracts in place with Prudential Assurance Company Limited and Aviva for the investment of members' AVCs. The Trustee considers the following sources of risk:

- Member understanding – the risk that the Trustee does not provide clear, balanced and timely information to members to aid their understanding. The Trustee is aware that poor information could lead to members' reasonable expectations not being met
- Investment practices – the risk that the fund(s) offered do not meet members' requirements. The fund(s) offering is periodically monitored for both suitability and competitiveness
- Risk of default funds, where provided, being unsuitable for the requirements of some members
- Manager risk - risk of fund managers not meeting their objectives. This risk is considered by the Trustee both upon the initial appointment of the fund manager and periodically thereafter
- 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 these risks in a qualitative rather than quantitative manner. The AVC arrangements will be reviewed periodically to ensure the investment profile of the fund(s) available remain consistent with the objective of the Trustee and the needs of the members.

### **Fee basis for service providers**

The Trustee uses a range of fee arrangements which may include performance related fees and fixed fees. The Trustee delegates the consideration of suitable fee bases for underlying mandates to the Fiduciary Manager. The Fiduciary Manager considers a range of factors, including the level of the fees offered and the alignment of interests that the fees give with the Trustee's objectives.

The Fiduciary Manager is remunerated on a fixed fee basis, as agreed with the Trustee from time to time. For the avoidance of doubt, the Trustee remains responsible for agreeing fee arrangements for any other service providers that fall outside of the Fiduciary Manager's remit.

## **5. Agreeing and reviewing this Statement**

### **Advice received**

The Trustee has obtained advice on the content of this statement from its Fiduciary Manager. It will also take advice on any future major changes to this Statement.

The Trustee is satisfied that the Fiduciary Manager has the knowledge and experience required by the Pensions Acts to perform this role.

### **Consultation**

The Trustee has consulted the Principal Employer, Calor Group Limited, on the content of this Statement and will consult with them on future changes.

### **Compliance and review**

The Trustee will monitor compliance with this Statement regularly and in any event will review this Statement at least every three years and also following any significant change in investment policy.

## **APPENDIX A – Investment responsibilities of different parties**

The division of investment responsibilities for the Plan is set out below. This list is not meant to be exhaustive.

### **Trustee**

The Trustee has ultimate responsibility for decision-making on investment matters. The Trustee's investment responsibilities include:

- Deciding on an appropriate governance structure for the management of the Plan including the role of advisers and other third parties
- Setting appropriate investment objectives, following advice from the Fiduciary Manager and Plan Actuary
- Agreeing the range of investment types to be used to achieve the investment objectives, taking account of the need to manage risks
- Agreeing the policies for governing investment manager arrangements
- Monitoring the appropriateness of the Fiduciary Manager and Third Party Evaluator against defined objectives (consistent with CMA requirements)
- Reviewing the content of this Statement at least every three years and following any significant change in investment strategy
- Modifying this Statement, if deemed appropriate, in consultation with the Principal Employer and with written advice from the Fiduciary Manager
- Monitoring compliance with this Statement on an ongoing basis
- Identifying Trustee training needs

### **Fiduciary Manager**

The Fiduciary Manager's role includes providing investment advice to the Trustee and investment management of the assets. A summary of the duties that fall into each category are shown below:

#### *Fiduciary Manager – investment advice:*

- Advice on setting the Investment Objective
- Risk modelling (including asset-liability analysis)
- Asset class, investment manager and risk reporting
- Advice and monitoring of any direct investments
- Trustee investment training and education
- Advice relating to investment governance and compliance
- Advice on this Statement
- Advice relating to potential conflicts of interest, including their own

#### *Fiduciary Manager – investment management:*

- Designing and implementing investment solutions appropriate to the investment objective for the Plan, which has been set by the Trustee
- Appointing and removing investment managers
- Investment manager mandate definition and negotiation
- Designing and executing derivative strategies for and on behalf of the Trustee
- Portfolio monitoring, including checking consistency of investment manager arrangements with Trustee policies
- Appointing transition managers for and on behalf of the Trustee
- Advice relating to potential conflicts of interest, including their own
- Ongoing management of the assets delegated to them within the terms of their agreement with the Trustee
- Complying with this Statement

## **Plan Actuary**

The key aspects of the Plan Actuary's role that have a bearing on investment decisions include:

- Liaising with the Fiduciary Manager on the suitability of the Plan's Investment Objective given the liabilities of the Plan
- Ensuring consistency between the Statement of Funding Principles and the Trustee's Investment Objectives and investment strategy
- Assessing the funding ratio of the Plan by performing valuations and advising on the appropriate contribution levels
- Providing data to enable decisions about hedging liability risks to be taken and implemented
- Estimating the cashflows of the Plan, to be used in the calculation of the value of liabilities on at least a triennial basis, or more frequently as required
- Advice relating to potential conflicts of interest, including their own

## **Investment managers**

The investment managers' responsibilities include:

- Managing the assets delegated to them within the terms of their agreement
- Providing regular reports on their performance, including any agreed benchmark and performance targets
- Providing reports at least annually on portfolio turnover and costs, including their remuneration
- Instructing their custodian on corporate governance and voting issues, including issues relating to Responsible Investment
- Where relevant, providing information at least annually on how they are incentivised to consider both financial and non-financial risks over the medium to long term, including but not limited to detailing their engagement activities with investee companies
- Ensure that they are complying with the requirements applicable to them in this Statement. In particular, when investing the assets delegated to them, they must be invested in the best interests of members and beneficiaries. Their powers of investments must be exercised so as to ensure the security, quality, liquidity and profitability of the portfolio as a whole

## **Custodian**

The Custodian's responsibilities include:

- The safekeeping of assets of the Plan
- Processing the settlement of all transactions
- Record keeping of the Plan's assets, and providing information on the Plan's assets and cashflows upon request

## **Providers of direct investments**

Investments held directly by the Plan are held in the form of units in funds, individual assets, insurance policies or other contractual arrangements. The responsibilities of the providers are set out in the legal documentation for each investment. There is then usually an agreement between the provider and an organisation which manages the assets underlying the direct investment on a day-to-day basis. This agreement sets out the responsibilities of this organisation to the provider.

## APPENDIX B – Further information on the additional risk factors

The table below provides some further detail on the major individual risk factors affecting the solvency risk. This includes a summary of what each of the risks are as well as the Trustee's policy on how each risk is measured and managed.

For all of these risks, the Trustee receives updates and advice from the Fiduciary Manager. In addition, the Trustee uses a third party Fiduciary Management Oversight provider to help monitor the Fiduciary Manager on a regular basis.

Risk factor	What is the risk?	How is this measured?	How is this managed?
Concentration risk	<p>The failure to spread investment risk.</p> <p>This may be caused by investing in too narrow a range of investments, or investments that are affected by markets in a similar way.</p>	The Trustee monitors the portfolio regularly to identify where assets are concentrated.	The Fiduciary Manager ensures assets are spread across a range of investments. The Trustee has set investment guidelines for the Fiduciary Manager to ensure assets are not concentrated.
Demographic risk	The value of liabilities increases due to members living longer than expected.	The Trustee receives regular updates on changes in demographics from the Plan Actuary.	<p>The Trustee acknowledges that readily tradable instruments to hedge this type of risk do not currently exist and therefore this risk cannot be fully mitigated.</p> <p>The Trustee makes an allowance for this risk in setting the actuarial assumptions.</p>
Economic risk	<p>That economic and financial conditions cause the return on investments to be worse than expected.</p> <p>In this situation it may be hard to find investments that will achieve the investment return objective.</p>	The Trustee regularly monitors the portfolio in the context of the changing economic climate.	The Fiduciary Manager invests the assets across a range of different types of investments to help reduce the impact of this risk.
ESG (including climate change) risk	The potential for non-financial factors to adversely impact the value of the assets or	The Fiduciary Manager measures ESG risk based on the materiality of	The Fiduciary Manager monitors the portfolio regularly to ensure ESG risks

	overall funding position.	potential impact on each investment and distinguishes between high and low focus positions.  ESG issues are quantified in the risk register.	are being appropriately considered in ongoing investment decisions.  The Trustee reviews ESG risks on a quarterly basis.
Fiduciary Manager risk	The Fiduciary Manager fails to meet its objectives.	The Trustee monitors the performance of the portfolio against the investment objective of the Trustee.	The Trustee ensures that the Fiduciary Manager is suitably qualified and experienced to perform their role.
Inflation risk	Inflation is higher than expected, causing the value of members' pensions to be greater than expected.  This would lead to the value of the liabilities being greater than expected.	The Trustee regularly monitors the portfolio to assess the mismatch between the exposure of the assets and the exposure of the liabilities to inflation.	The Trustee delegates management of this risk to the Fiduciary Manager. The Fiduciary Manager manages this risk by investing in certain assets, and uses hedging techniques for and on behalf of the Trustee, which helps to mitigate this risk.
Interest rate risk	The interest rate used to value the Plan's liabilities falls. This would result in an increase in the value of the liabilities.	The Trustee monitors the mismatch between the exposure of the assets and the exposure of the liabilities to interest rates as part of the regular monitoring process.	The Trustee delegates management of this risk to the Fiduciary Manager. The Fiduciary Manager manages this risk by investing in certain assets, and using hedging techniques for and on behalf of the Trustee, to help mitigate this risk.
Investment manager risk	The investment managers fail to beat their investment benchmark.	The Fiduciary Manager monitors the actual deviation of returns relative to the manager's benchmark for and on behalf of the Trustee.	The Fiduciary Manager reviews the investment managers as part of their assessment process.
Liquidity risk	There is a shortfall in liquid assets relative to the Plan's immediate cashflow requirements.	The Trustee monitors the level of cashflow required on a regular basis.	The Trustee has set guidelines to limit the total value of assets invested in illiquid assets.



Operational risk	The risk of loss as a result of fraud, poor advice, acts of negligence or lack of suitable processes.	The Fiduciary Manager undertakes due diligence on investment managers and the custodian for and on behalf of the Trustee.	<p>The Trustee discusses the Fiduciary Manager's process as part of their overall review process.</p> <p>The Trustee ensure that all advisers and third party service providers are suitably qualified and experienced.</p>
Political risk	The risk of loss resulting from political intervention (e.g. changes in policy) or through political instability.	The Fiduciary Manager monitors the concentration of investments by countries/regions for and on behalf of the Trustee.	The Trustee has set guidelines within which the Fiduciary Manager can invest. This ensures the Plan's assets are spread across a range of different types of investments.
Sponsor risk	<p>The Principal Employer does not/cannot make sufficient contributions to support the payment of the Plan benefits.</p> <p>This may lead to a greater reliance on investment returns to pay for the benefits.</p>	<p>The Trustee considers the ability and willingness of the sponsor to support the continuation of the Plan and make good any current / future deficit.</p> <p>The Trustee also periodically reviews a number of key factors, including sponsor covenant, size of deficit etc relative to a number of metrics.</p>	Sponsor risk has been taken into account when agreeing a suitable investment objective. If there is a significant change in the sponsor covenant the Trustee will review its investment objective.

## APPENDIX C – Investment Arrangements Summary

### Background

The purpose of this Appendix is to describe in further detail how the investment decisions of The Calor Group Retirement Benefits Plan are implemented. In particular it considers the following:

- The types of investments used and the investment restrictions that have been decided by the Trustee
- The current advisers and investment managers (including the Fiduciary Manager)

### Investment restrictions

The following guidelines and restrictions have been agreed with regard to the investments:

- The type of investments which can be invested in
- Permitted ranges between the various investment types
- No new investments in Private Markets
- A minimum level of liquidity which must be maintained

We note that portfolio investments may be significantly impacted in periods of market volatility or turmoil and as such portfolio allocations could deviate from the stated strategy.

### 2. Advisers, investment managers, and related third parties

The current advisers, investment managers and related third parties are show in the table below

Investment adviser	Goldman Sachs Asset Management International and Barnett Waddingham LLP
Plan Actuary	Debra Logan of Barnett Waddingham LLP
Administrator and Fiduciary Management Oversight	Barnett Waddingham LLP
Fiduciary Manager Outgoing Fiduciary Manager	Goldman Sachs Asset Management International Cardano Risk Management Limited
Custodian	Northern Trust
Annuity Provider	Aviva
AVC Providers	Prudential Assurance Company Limited Aviva