Van Leeuwen Tubes Pension Scheme

Statement of Investment Principles

June 2023

Statement of Investment Principles

The Trustees of Van Leeuwen Tubes Pension Scheme ("the Scheme") have prepared this Statement of Investment Principles ("the SIP") in accordance with the Pensions Act 1995[1] ("the Act") as amended and the Occupational Pension Scheme (Investment) Regulations 2005 as well as the principles recommended by the Myners Code. It supersedes any previous SIP and reflects the investment policy agreed by the Trustees in respect of assets covering Defined Benefit liabilities.

This SIP will be reviewed at least every three years or immediately after any significant change in investment policy.

Before preparing this SIP the Trustees have:

- Obtained and considered the written advice from the Scheme's Investment Consultant, XPS Pensions, who is suitably qualified through ability and experience and has appropriate knowledge.
- Consulted the Principal employer.

Choosing investments

The Trustees set the investment strategy and investment policies for the Scheme and in doing so, have considered the Scheme's liabilities and strength of the Principal Employer's covenant.

The Scheme invests its assets in a Trustee Investment Policy (TIP) with Mobius Life. Investments are held in underlying funds managed by third party Investment Managers and the value of the Mobius TIP is directly linked to the change in value in the underlying funds. Mobius Life's responsibilities will include:

- Providing the Trustees with regular portfolio valuations and records of transactions, along with a report at least annually, on actions and future intentions, and any changes to the processes, objectives and guidelines applied to their management of the Scheme's assets to enable the Trustees to review the Investment Manager's activities.
- Appointing Investment Managers and allocating money to funds in accordance with the Trustees' instructions for the TIP.

The Trustees rely on Investment Managers for the day-to-day management of the Scheme's assets but retain control over all decisions made about the investments in which the Scheme invests. In particular, the Trustees make decisions about pooled investment vehicles in which the Scheme invests through the TIP and AVC investment vehicles.

Where Investment Managers are delegated discretion under Section 34 of the Act, the Investment Manager will exercise their investment powers in accordance with the Act, relevant and subsequent regulations, and this SIP.

The Investment Managers are authorised and regulated to provide investment management services to the Scheme. Within the UK, the authorisation and regulation of the Investment Managers falls under the Financial Conduct Authority (FCA). Specific products in which the Scheme invests may also be regulated by the Prudential Regulatory Authority (PRA). For non-UK Investment Managers, authorisation and regulation is undertaken by the home state regulator.

The Investment Managers will ensure that suitable internal operating procedures are in place to control individuals making investments for the Scheme.

The Trustees rely on the Investment Managers to appoint appropriate Custodians for pooled funds who are responsible for the safekeeping of the assets of the Scheme.

The Trustees rely on the Investment Managers to appoint appropriate Administrators or Registrars for pooled funds who are responsible for keeping records of the Scheme's entitlement within the pooled funds.

[1] *As amended 31st March 2019*

Investment objective and strategy

Investment objective

The Trustees have set the following objective:

- To achieve a fully funded position on the Scheme's target basis.
- To implement an investment strategy targeting a return of 1.9% pa in excess of gilts, where gilts are represented by the yield derived from the UK government bond yield curve.
- To acquire suitable assets to achieve the above objective whilst controlling volatility and the long term costs of the Scheme.
- To adhere to the provisions contained within this SIP.

Investment strategy

The Trustees intend to meet the investment objective by investing in a diversified portfolio of return-seeking and liability-matching assets.

The Trustees can utilise a wide range of passively and actively managed investments, including (but not limited to):

- Assets or funds primarily utilised to match liability risk (typically movements in long term interest rates and inflation) including gilts, swaps and repos and the use of derivatives and leverage.
- Assets or funds primarily used to outperform the liabilities over the long term including equity, private markets, hedge funds, commodities, currency, bonds and other forms of credit, property, infrastructure and insurance including the use of derivatives and leverage. Illiquid assets can be used where a higher return or lower risk is expected.
- Assets or funds primarily used to provide immediate liquidity such as cash or cash instruments.
- Assets or funds that combine liability outperformance, liability hedging or liquidity characteristics including the use of derivatives and leverage.
- Annuity or insurance policies designed to match the specific characteristics of the Scheme's liabilities or membership.

The actual strategy adopted for the Scheme, including the allocation to different assets, and expected returns is set out in the Appendix.

Investment restrictions

The Trustees intend to adhere to the following restrictions:

- No more than 5% of Scheme assets can be held in investments related to the Principal Employer.
- Whilst borrowing on a temporary basis is permitted, this option will only be utilised where absolutely necessary or where it is expected to reduce overall risk (e.g. for very short time periods during an asset transfer).
- Investment in derivative instruments may only be made where they contribute to risk reduction or facilitate efficient portfolio management.
- Stock lending is permitted at the discretion of the Scheme's Investment Managers in line with their overall investment objectives, policies and procedures.

Investment risk

The Trustees have identified a number of risks including (but not limited to):

- Employer covenant risk
- Liability risks: Interest rate risk, Inflation risk, Longevity risk
- Asset risks: Equity risk, Property risk, Currency risk, Credit risk, Interest rate risk, Inflation risk
- Strategy risks: Asset allocation risk, Liquidity risk (including collateral risk), Growth asset risk (including currency risk)
- Implementation risks: Investment manager risk, Counterparty risk, Operational risk

These risks are measured and managed by the Trustees as follows:

- The Trustees have set an investment strategy that adheres to the contents of this SIP.
- The Trustees receive strategic investment advice from the Investment Consultant that may include risk modelling and quantification (e.g. Value at Risk) whenever strategic changes are considered.
- The Trustees undertake regular monitoring of the Scheme's investments supplemented by information provided by both the Investment Managers and Investment Consultant, as well as advice from the latter.
- The Trustees periodically assess the strength of the Principal Employer's covenant and use external expertise where appropriate.
- The Trustees delegate the day-to-day management of some of these risks to the appointed Investment Managers.
- The Trustees consider the Investment Managers' role and approach to managing risk is considered when selecting appropriate Investment Managers.
- The Trustees utilise custodian relationships to ensure Scheme assets are held securely.
- The Trustees assess whether appropriate controls are put in place by themselves, the Investment Consultant, Investment Managers, the Platform Provider and Custodians (where there is a direct relationship).

Realising investments

The Trustees recognise that assets may need to be realised to meet Scheme obligations at any time.

The Trustees will ensure that an appropriate amount of readily realisable assets are held at all times, and this will be part of the assessment for including new investments within the strategy.

The Trustees will from time to time agree a policy for sourcing cash from the investments as required. Further details are set out in the Appendix.

Range of assets

The Trustees consider that the combination of the investment policy detailed and the specific manager mandates detailed in the Appendix will ensure that the assets of the Scheme include suitable investments that are appropriately diversified and provide a reasonable expectation of meeting the objectives.

Details of each specific mandate are set out in agreements and pooled fund documentation with each Investment Manager. The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them through asset allocation parameters set by the Trustees or governing the pooled funds in which the Scheme is invested.

The Trustees will ensure that the Scheme's assets are invested in regulated markets to maximise their security.

The investment manager is incentivized to perform in line with the agreed objectives as maintaining the mandate and associated fees are contingent on them doing so.

The Trustees encourage Investment Managers to make decisions in the long-term interests of the Scheme. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights. This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long-term returns.

Investment Manager Arrangements

Review process

Appointments of Investment Managers are expected to be long-term. Similarly the appointment of the Platform Provider is also expected to be long term. The Trustees will review the appointment of the Investment Managers and the Platform Provider in accordance with their responsibilities. Such reviews will include analysis of each Investment Manager's performance and processes and an assessment of the diversification of the assets held by the Investment Manager. The review will include consideration of the continued appropriateness of the mandate given to the Investment Manager within the framework of the Trustees' investment policies.

Any significant changes relating to the criteria below that the Investment Consultant is aware of will be highlighted, which may lead to a change in the Investment Consultant's rating for a particular mandate. These ratings help to determine an Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustees may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend Trustee meetings as requested although it is recognised that this is not part of the mandate with Mobius Life.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustees' policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type. The Trustees may also, from time to time, review the Platform Provider. Such a review will consider factor such as the service level, range of underlying funds and fees.

Selection / Deselection Criteria

The criteria by which the Trustees will select (or deselect) the Investment Managers include:

- Ownership of the business;
- Leadership/team managing the strategy and client service;
- Key features of the investment and the role it performs in a portfolio;
- Philosophy and approach to selecting underlying investments including operational risk management and systems;
- Current and historical asset allocation of the fund;
- Past performance and track record;
- The underlying cost structure of the strategy;
- Consistency and extent to which ESG analysis is incorporated into the process of selecting underlying investments.

Portfolio turnover

The Trustees require the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence

Responsible investment

The Trustees have considered their approach to environmental, social and corporate governance ("ESG") factors for the long term time horizon of the Scheme and believes there can be financially material risks relating to them. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the

Scheme's investment managers. The Trustees require the Scheme's investment managers to take ESG and climate change risks into consideration within their decision-making in relation to the selection, retention or realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees will seek advice from the Investment Adviser on the extent to which its views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. Furthermore, the Trustees, with the assistance of the Investment Adviser, will monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this Statement.

As the Scheme invests in pooled funds through the TIP, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. The Trustees have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the investment managers and encourages them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees.

Should the Trustees become aware that an investment manager's engagement and voting practices are inadequate or that the results of such engagement are mis-aligned with the Trustees' expectations, the Trustees will engage with the manager further to encourage alignment. If, following engagement, it is the view of the Trustees that the degree of alignment remains unsatisfactory, the Trustees may consider terminating the relationship with that investment manager.

Further, the Trustees' policy is that non-financial matters should not be taken into account in the selection, retention and realisation of investments.

When considering the selection, retention or realisation of investments, the Trustees have a fiduciary responsibility to act in the best interests of the beneficiaries of the Scheme, although they have neither sought nor taken into account the beneficiaries' views on risks including (but not limited to) ethical, social and environmental impact. The Trustees will review this policy if any beneficiary views are raised in future.

This document was approved by the Trustees and s**igned on behalf of the Trustees** by Karein Davie (on behalf of Clarity Trustees Limited) on 12 June 2023.

Appendix – Investment strategy

Overall strategy

The investment strategy of the Scheme is summarised in the table below.

Asset class	Strategic allocation	Expected return (above gilts pa)	Manager and fund	Objective	TER (pa)	Total fee inc. Mobius platform fee
LDI	37%	-0.10%	CT Real Dynamic LDI Fund CT Nominal Dynamic LDI Fund	The LDI portfolio provides liability hedging by offering interest rate and inflation protection which replicates the liability profile of a typical UK defined benefit pension scheme	0.31%	0.38%
Corporate Bonds	8%	1.59%	LGIM 6A Corporate Bonds Over 15 Year Index Fund	Track the performance of the Markit iBoxx £ Non-Gilts (ex BBB) Over 15 Years Index to within +/-0.5% p.a. for two ears out of three	0.06%	0.11%
Diversified Growth	35%	3.70%	LGIM Dynamic Diversified Growth Fund	Achieve a return in excess of the Bank of England Base Rate + 4.5% pa (gross of fees, over a full market cycle)	0.37%	0.42%
Multi Sector Credit	20%	2.40%	Allianz Multi Sector Credit Fund	Generate positive returns throughout the interest rate and economic cycles, with a performance target of SONIA+ 3% pa (gross of fees)	0.42%	0.47%
	100%	1.9%			0.33%	0.39%

The Investment Consultant will confirm trading spreads and any costs associated with transferring assets as part of their formal written advice.

Return expectations quoted above are best estimates for long-term returns that were used to determine the appropriate investment strategy for the Scheme using 31 December 2022 XPS asset class return assumptions.

In addition to the above assets, the Trustees have also secured the vast majority of the Scheme's pensioners through the purchase of annuities with Prudential Assurance Company Limited, Aviva, and Canada Life. This was achieved through buying annuities in the Scheme's name whereby the insurer reimburses the Scheme for payments made to the insured pensioners in return for a premium paid by the Scheme.

Mobius Life

The Scheme's investments are held with a platform provider, Mobius Life Limited, in order to reduce ongoing governance and allow the Scheme to take advantage of reduced fee agreements.

Rebalancing investments

The Scheme does not have any formal rebalancing arrangements in place. The Trustees will review the allocation quarterly and if required will instruct the Investment Managers to rebalance towards the strategic allocation.

Realising investments

Where assets need to be realised to meet member benefits, the Trustees will consult with the Investment Consultant regarding the source and timing of the disinvestments.

AVCs

The Scheme does not have any AVC arrangements for members.

XPS Pensions Consulting Limited, Registered No. 2459442.
XPS Investment Limited, Registered No. 6242672.
XPS Pensions Limited, Registered No. 3842603.
XPS Administration Limited, Registered No. 9428346.
XPS Pensions (RL) Limited, Registered No. 5817049.
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XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).
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