1. Introduction

This Statement of Investment Principles ("SIP") has been produced by the Trustee of the Shaw (S&W) Pension Plan (the "Scheme") on various matters governing investment decisions for the Scheme.

This SIP replaces the previous SIP dated July 2021.

For the purposes of this SIP, references to we, us and our relate to the Trustee.

This SIP has been prepared after obtaining and considering written advice from LCP, our investment adviser, whom we believe to be suitably qualified and experienced to provide such advice. The advice considered the suitability of investments including the need for diversification given the circumstances of the Scheme and the principles contained in this SIP.

We have consulted with the relevant employer in producing this SIP.

We will review this SIP from time to time and will amend it as appropriate. Reviews will take place without delay after any significant change in investment policy and at least once every three years.

This SIP contains the information required by legislation, and also considers the Pension Regulator’s guidance on investments.

We have produced a separate Addendum document, which details further background and other matters relevant to the Scheme's investments, but which are not required to be included in the SIP.

2. Investment objectives

The primary objective for the Scheme is to ensure that the benefit payments are met as they fall due.

In addition to this primary objective, the Scheme's funding level (asset value relative to liabilities) should remain at an appropriate level. We are aware that there are various measures of funding and have given due weight to those considered most relevant to the Scheme.

We also aim to achieve an appropriate level of investment risk and return, whilst taking into account the primary and funding objectives. What we determine to be an appropriate level of risk is set out in the Addendum.
3. Investment strategy

With input from our advisers and in consultation with the employer, the current investment strategy is shown in the following table.

<table>
<thead>
<tr>
<th>Asset class</th>
<th>Strategic allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>DGF</td>
<td>15%</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>30%</td>
</tr>
<tr>
<td>LDI, gilts and cash</td>
<td>55%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

We monitor the asset allocation from time to time. If material deviations from the strategic allocation occur, we will consider with our advisers whether it is appropriate to rebalance the assets, taking into account factors such as market conditions and anticipated future cash flows.

4. Considerations in setting the investment arrangements

When deciding how to invest the Scheme’s assets, it is our policy to consider a range of asset classes, taking account of the expected returns and risks associated with those asset classes, as well as our beliefs about investment markets and which factors are most likely to impact investment outcomes.

The primary ways that we manage investment risk is via diversification, ensuring we receive professional written advice prior to making any material investment decision, and our ongoing monitoring.

In setting the strategy for the Scheme it is our policy to consider:

- the Scheme’s investment objectives, including the target return required to meet these objectives;
- the best interests of members and beneficiaries;
- the circumstances of the Scheme, including the profile of the benefit cash flows (and the ability to meet these in the near to medium term), the funding level, and the strength of the employer covenant;
- the risks, rewards and suitability of a number of possible asset classes and investment strategies and whether the return expected for taking any given investment risk is considered sufficient given the risk being taken;
- the need for appropriate diversification between different asset classes to ensure that both the Scheme’s overall level of investment risk and the balance of individual asset risks are appropriate;
- any other considerations which we consider financially material over the time horizon that is needed for the funding of future benefits by the investments of the Scheme; and
- our investment beliefs about how investment markets work, and which factors are most likely to impact investment outcomes.

Our key investment beliefs, which influenced the setting of the investment arrangements, are as follows:

- asset allocation is the primary driver of long-term returns;
- risk-taking is necessary to achieve return, but not all risks are rewarded;
- equity, credit and illiquidity are the primary rewarded risks;
- risks that do not have an expected reward should generally be avoided, hedged or diversified;
- environmental, social and governance (ESG) factors are likely to be one area of market inefficiency and managers may be able to improve risk-adjusted returns by taking account of ESG factors and is one factor that the Trustee should consider when making investment decisions;
- investment managers that have the flexibility to dynamically allocate across multiple asset classes can provide effective risk management and downside protection; and
- costs have a significant impact on long-term returns and therefore obtaining value for money from the investments is important.
5. Implementation of the investment arrangements

Before investing in any manner, we obtain and consider proper written advice from our investment adviser as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

Details of the investment managers are set out in the Addendum.

We have limited influence over managers’ investment practices because all the Scheme’s assets are held in pooled funds, but we encourage our managers to improve their practices within the parameters of the fund they are managing.

Our view is that 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 stated objectives, guidelines, and restrictions of their fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement, and portfolio turnover.

It is our responsibility to ensure that the managers’ investment approaches are consistent with our policies before any new appointment, and to monitor and to consider terminating any arrangements that appear to be investing contrary to those policies. We expect investment managers to make decisions based on assessments of the longer term performance of debt/equity issuers, and to engage with issuers to improve their performance (or where this is not appropriate to explain why). We assess this when selecting and monitoring managers.

We evaluate investment manager performance over both shorter and longer term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund’s terms, the duration of a manager’s appointment will depend on strategic considerations and the outlook for future performance. If a manager is not meeting its performance objectives, we will consider alternative arrangements.

Our policy is to evaluate each of our investment managers by considering performance, the role it plays in helping to meet our overall long-term objectives, taking account of risk, the need for diversification and liquidity. Each manager’s remuneration, and the value for money it provides, is assessed in light of these considerations.

We recognise that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of these costs is reflected in performance figures used in our assessment of the investment managers, we do not explicitly monitor portfolio turnover. We expect our investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Scheme’s investment mandates.

6. Realisation of investments

When appropriate, we, on the administrator’s request, decide on the amount of cash required for benefit payments and other outgoings and inform the investment managers of any liquidity requirements.

Our preference is for investments that are readily realisable.

In general, our policy is to use cash flows to rebalance the Scheme’s assets towards the strategic asset allocation.

7. Financially material considerations and non-financial matters

We consider how environmental, social, governance (“ESG”) considerations (including but not limited to climate change) should be addressed in the selection, retention, and realisation of investments, given the time horizon of the Scheme and its members.

We influence the Scheme’s approach to ESG and other financially material factors through our investment strategy and manager selection decisions. We expect all of our investment managers to take account of financially material factors (including climate change and other ESG factors) within the parameters of the mandates they are set. We seek to appoint managers that have the skills and processes to do this, and periodically review how the managers are taking account of these issues in practice.

All the Scheme’s assets are invested in pooled funds. We have limited influence over managers’ investment practices where assets are held in pooled funds, but we encourage our managers to improve their ESG practices within the parameters of their funds.

8. Voting and engagement

We recognise our responsibilities as owners of capital, and believe that good stewardship practices, including monitoring and engaging with investee
companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

We have delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and ESG factors.

We do not monitor or engage directly with issuers or other holders of debt or equity, but we do engage with current and prospective investment managers on matters including ESG and stewardship. We expect the investment managers to exercise ownership rights and undertake monitoring and engagement in line with their policies on stewardship, considering the long-term financial interests of the beneficiaries. We expect the managers to communicate their policies on stewardship to us from time to time, and provide us with reporting on the results of their engagement and voting activities regularly and at least once a year.

We seek to appoint managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time we review how these are implemented in practice.