

Tulip Limited Pension Plan

Statement of Investment Principles

Date: September 2020

Preface

Scheme background

This Statement of Investment Principles (the 'SIP') details the principles governing investment decisions for the Tulip Limited Pension Plan the 'Plan'.

The Plan operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries, and provides benefits calculated on a defined benefit (DB) basis. The Plan is closed to new entrants. The Plan is closed to future accrual.

Regulatory requirements and considerations

Under the Pensions Act 1995 (the 'Act') and subsequent legislation, principally the Occupational Pension Schemes (Investment) Regulations 2005 (the 'Investment Regulations'), the Trustees must secure that a written statement of the principles governing investment decisions is prepared and maintained for the Plan.

This SIP also reflects the Myners principles for institutional investment decision-making, which require trustee boards to act in a transparent and responsible manner.

The Trustees are responsible for all aspects of the operation of the Plan including this SIP.

In agreeing their investment strategy, the Trustees have had regard to:

- The requirements of the Act concerning suitability and diversification of investments and the Trustees will consider those requirements on any review of this SIP or any change in the investment policy.
- The requirement of the Investment Regulations: in particular that assets held to cover the Plan's technical provisions must also be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Plan.
- In respect of the additional voluntary contribution (AVC) arrangements provided on a money-purchase basis, the Trustees have taken into account the requirements and recommendations within the Pensions Regulator's code of practice 13: Governance and administration of occupational trust-based schemes providing money purchase benefits and regulatory guidance. Information on the Trustees approach to investment matters within the AVC arrangements is included within this SIP.

Responsibilities and appointments

Only persons or organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Plan. The Trustees draw on the expertise of external persons and organisations including the investment consultant, investment managers and the Scheme Actuary. Full details are set out in this SIP.

Consultation

In accordance with the Act, the Trustees have obtained and considered written advice from Buck Consultants (Administration & Investment) Limited (the investment consultant) prior to the preparation (or revision) of this SIP and have consulted the Sponsoring Employer. However, it should be noted that neither the Trustees (nor any investment manager to whom they have delegated any discretion to make decisions about

investments) shall require the consent of the Sponsoring Employer to exercise any investment power.

Review

The Trustees will review this SIP at least every three years and without delay after each significant change in investment policy, taking note of any changes in the Plan's liabilities. Once agreed, and after consultation with the Sponsoring Employer, a copy of this SIP will be given to the Scheme Actuary and will be made available to Plan members on request.

Contents

Statement of Investment Principles	1
Investment governance structure	1
Investment strategy and objectives	1
The Trustees policy in relation to the kinds of investments to be held.....	2
The Trustees policy in relation to the balance between different kinds of investments ..	3
The Trustees policy in relation to the expected return on investments.....	3
The Trustees policy in relation to the realisation of investments	3
The Trustees policy in relation to financially material considerations	3
The Trustees policy in relation to the extent to which non-financial matters are taken into account	3
Risk capacity and risk appetite.....	3
The Trustees policy in relation to risks	4
Stewardship in relation to the Plan's assets.....	4
The Trustees policy in relation to engagement and monitoring (including peer to peer engagement).....	4
The Trustees policy in relation to voting rights.....	5
Investment management monitoring	5
The Trustees policy in relation to their investment managers.....	5
Employer-related investments	7
Additional voluntary contributions (AVCs).....	7
Appointments and responsibilities	8
Compliance	10
Appendix 1 – Strategic benchmark and objectives	11
Appendix 2 – Fees.....	13

Statement of Investment Principles

Investment governance structure

All investment decisions are taken by the Trustee Board as a whole. The Trustees believe that collective responsibility is the appropriate structure, given the size of the board, except for specific projects when an investment sub-committee may be set up. The Trustees will undertake training where appropriate to ensure they have the necessary expertise to take the decisions required and to evaluate critically the advice received.

All investment decisions relating to the Plan are under the control of the Trustee Board without constraint by the Sponsoring Employer. The Trustees will consult with the Sponsoring Employer when changing this SIP.

All day-to-day investment decisions are delegated to properly qualified and authorised investment managers of pension scheme portfolios. Investment management agreements and/or an insurance contract have been exchanged with the investment managers, and are reviewed from time-to-time to ensure that the manner in which they make investments on behalf of the Trustee Board is suitable for the Plan, and appropriately diversified.

Investment strategy and objectives

The Plan's investment strategy has been agreed by the Trustees having taken advice from the investment consultant in relation to the suitability of investments and the need to diversify and takes due account of the Plan's liability profile along with the level of disclosed surplus or deficit.

The agreed investment strategy is based on an analysis of the Plan's liability profile, the required investment return and the returns expected from the various asset classes over the long-term. Long-term returns from equities are expected to exceed the returns from bonds and cash, although returns and capital values may demonstrate higher volatility. The Trustees are prepared to accept this higher volatility in order to aim to achieve the overall investment objectives.

The Trustees primary objectives are:

- To provide appropriate security for all beneficiaries.
- To achieve long-term growth sufficient to provide the benefits from the Plan.
- To achieve an appropriate balance between risk and return with regards to the cost of the Plan and the security of the benefits.

The Trustees have translated their objectives into a suitable strategic asset allocation benchmark for the Plan, details of which are included in the appendices of this SIP.

In accordance with the Financial Services & Markets Act 2000, the Trustees are responsible for setting the general investment policy, but the responsibility for all day-to-day investment management decisions has been delegated to investment managers authorised under the Act. Details are included in the appendices of this SIP.

The Trustees are responsible for reviewing both the Plan's asset allocation and investment strategy as part of each actuarial valuation in consultation with the Plan's investment consultant. The Trustees may also reconsider the asset allocation and the investment strategy outside the triennial valuation period where necessary.

The Trustees consider the Plan's current strategic asset allocation to be consistent with the current financial position of the Plan. This assessment will be updated with reference to the Technical Provisions set out in the Plan's Statement of Funding Principles once the 30 June 2022 actuarial valuation has been completed. "Technical provisions" is the value of the Plan's liabilities for funding purposes as at the latest available Plan-specific actuarial valuation date, being 30 June 2019.

The Trustees' policy in relation to the kinds of investments to be held

The Trustees have full regard to their investment powers as set out in Clauses 6 and 7 under the Trust Deed and Rules of 6 March 2001. The Plan may invest in quoted and unquoted securities of UK and overseas markets including:

- Equities.
- Fixed interest and index-linked bonds.
- Cash.
- Property.
- Private equity.
- Hedge funds and pooled investment vehicles considered appropriate for tax-exempt registered occupational pension schemes.

The Trustees have considered the attributes of the various asset classes (including derivative instruments), these attributes being:

- Security (or quality) of the investment.
- Yield (expected long-term return).
- Spread (or volatility) of returns.
- Term (or duration) of the investment.
- Exchange rate risk.
- Marketability/liquidity (i.e. the tradability on regulated markets).
- Taxation.

The Trustees consider all of the stated classes of investment to be suitable to the circumstances of the Plan. The Plan invests predominantly in pooled funds, other collective investment vehicles and cash. The Trustees have made the decision to invest the majority of assets in pooled funds because:

- The Plan is not large enough to justify direct investment on a cost-effective basis.
- Pooled funds allow the Trustees to invest in a wider range of assets, which serves to reduce risk.
- Pooled funds provide a more liquid form of investment than certain types of direct investment.

The Trustees' policy in relation to the balance between different kinds of investments

The appointed investment managers will hold a diversified mix of investments in line with their agreed benchmark and within their discretion to diverge from the benchmark. Within each major market each manager will maintain a diversified portfolio of securities. Full details are set out in Appendix 1 of this SIP.

The Trustees' policy in relation to the expected return on investments

The investment strategy is believed to be capable of exceeding, in the long run, the overall required rate of return assumed in the Scheme Actuary's published actuarial valuation report in order to reach / maintain a fully funded status under the agreed assumptions.

The Trustees' policy in relation to the realisation of investments

In the event of an unexpected need to realise all or part of the assets of the portfolio, the Trustees require the investment managers to be able to realise the Plan's investments in a reasonable timescale by reference to the market conditions existing at the time the disposal is required and subject to the best interests of the Plan. The majority of the assets are not expected to take an undue time to liquidate. The investment managers have discretion to realise investments within their portfolios for the purpose of making new investments. The selection of individual investments within the funds to be realised is at the discretion of the investment managers (subject to their mandates).

The Trustees' policy in relation to financially material considerations

The Trustees expect their investment managers, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.

The Trustees review, from time to time, the investment managers' policies in respect of financially material considerations and are satisfied they are consistent with the above approach.

The Trustees' policy in relation to the extent to which non-financial matters are taken into account

The Trustees objective is that the financial interests of the Plan members is their first priority when choosing investments. The Trustees have decided not to take members' preferences into account when considering these objectives.

Risk capacity and risk appetite

The Trustees, after seeking appropriate investment advice, have selected a strategic asset allocation benchmark for the Plan including control ranges for each asset class and or geographic region (see Appendix 1).

Subject to their respective benchmarks and guidelines (shown in Appendix 1) the investment managers are given full discretion over the choice of stocks and are expected to maintain diversified portfolios.

The Trustees are satisfied that the investments selected are consistent with their investment objectives, particularly in relation to diversification, risk, expected return and liquidity.

The Trustees' policy in relation to risks

The Trustees consider the main risk to be that of the assets being insufficient to meet the Plan's liabilities as they fall due. The Trustees have considered the likelihood of undesirable financial outcomes arising in the future.

Investment policies are set with the aim of having sufficient and appropriate assets to cover the Plan's Technical Provisions, and with the need to avoid undue contribution rate volatility.

In determining their investment strategy, the Trustees received advice from the investment consultant as to the likely range of funding levels for strategies with differing levels of investment risk relative to the Plan's liability profile. Taking this into account, along with the expected returns underlying the most recent actuarial valuation, the strategy outlined in Appendix 1 of this SIP has been adopted.

Although the Trustees acknowledge that the main risk is that the Plan will have insufficient assets to meet its liabilities, the Trustees recognise other contributory risks, including the following. Namely the risk:

- Associated with the differences in the sensitivity of asset and liability values to changes in financial and demographic factors.
- Of the Plan having insufficient liquid assets to meet its immediate liabilities.
- Of the investment managers failing to achieve the required rate of return.
- Due to the lack of diversification of investments.
- Of failure of the Plan's Sponsoring Employer to meet its obligations.

The Trustees manage and measure these risks on a regular basis via actuarial and Investment reviews, and in the setting of investment objectives and strategy.

The Trustees undertake monitoring of the investment managers' performance against their targets and objectives on a regular basis.

Each fund in which the Trustees invest has a stated performance objective against which investment performance will be measured. These are shown in Appendix 1. Within each asset class, the investment manager(s) are expected to maintain a portfolio of securities (or funds), which ensures that the risk being accepted in each market is broadly diversified.

The divergence of the actual distribution of the investments from the benchmark weighting will be monitored by the Plan's investment managers. Any deviation from the target asset allocation will be discussed periodically with the investment consultant.

Stewardship in relation to the Plan's assets

The Trustees have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees can promote an investment's long term success through monitoring, engagement and/or voting, either directly or through their investment managers.

The Trustees' policy in relation to engagement and monitoring (including peer to peer engagement)

The Trustees' policy is to delegate responsibility for engaging and monitoring investee companies to the investment managers and expects the investment managers to use their discretion to maximise financial returns for members and others over the long term.

As the majority of investments are held in pooled vehicles, the Trustees do not envisage being directly involved with peer to peer engagement in investee companies.

The Trustees' policy in relation to voting rights

The Trustees policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The investment managers are expected to provide regular reports for the Trustees detailing their voting activity.

Investment management monitoring

The Trustees will assess the performance, processes and cost effectiveness of the investment managers by means of regular, but not less than annual, reviews of the results and other information, in consultation with the investment consultant.

All investment decisions, and the overall performance of the investment managers, are monitored by the Trustees with the assistance of the investment consultant.

The investment managers will provide the Trustees with quarterly statements of the assets held along with a quarterly performance report. The investment managers will also report orally on request to the Trustees.

The investment managers will inform the Trustees of any changes in the internal performance objective and guidelines of any pooled funds used by the Plan as and when they occur.

The Trustees will assess the quality of the performance and processes of the investment managers by means of a review at least once every three years in consultation with the investment consultant.

The Trustees receive an independent investment performance monitoring report from the investment consultant on a quarterly basis.

Appropriate written advice will be taken from the investment consultant before the review, appointment or removal of the investment managers.

The Trustees' policy in relation to their investment managers

In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustees is to select investment managers that meet the primary objectives of the Trustees. As part of the selection process and the ongoing review of the investment managers, the Trustees consider how well each investment manager meets the Trustees policies and provides value for money over a suitable timeframe.

- **How the arrangement incentivises the investment manager to align its investment strategy and decisions with the trustees policies**

The Trustees have delegated the day to day management of the Plan's assets to investment managers. The Plan's assets are invested in pooled funds which have their own policies and objectives and charge a fee, agreed with the investment manager, for their services. Such fees incentivise the investment managers to adhere to their stated policies and objectives.

- **How the arrangement incentivises the investment manager to engage and take into account financial and non-financial matters over the medium to long-term**

The Trustees, in conjunction with their investment consultant, appoint their investment managers to meet specific Plan policies. They expect that their investment managers make decisions based on assessments about the financial of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Plan's performance) over an appropriate time horizon.

The Trustees have decided not to take non-financial matters into account when considering their policy objectives.

- **How the method (and time horizon) of the evaluation of the investment manager's performance and the remuneration for asset management services are in line with the trustees' investment policies**

If the Trustees determine that the investment manager is no longer managing the assets in line with the Trustees policies they will make their concerns known to the investment manager and may ultimately disinvest.

The Trustees pay their investment managers a management fee which is a fixed percentage of assets under management.

Prior to agreeing a fee structure, the Trustees, in conjunction with their investment consultant, consider the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the investment manager.

- **How the trustees monitor portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range**

The Trustees, in conjunction with their investment consultant, have processes in place to review investment turnover costs incurred by the Plan on an annual basis. The Trustees receive a report which includes the turnover costs incurred by the investment managers used by the Plan.

The Trustees expect turnover costs of the investment managers to be in line with their peers, taking into account the style adopted by the investment manager, the asset class invested in and prevailing market conditions.

The Trustees do not explicitly monitor turnover, set target turnover or turnover ranges. The Trustees believe that the investment managers should follow their stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique and bespoke in nature and there is the potential for markets to change significantly over a short period of time.

- **The duration of arrangements with investment managers**

The Trustees does not in general enter into fixed long-term agreements with their investment managers and instead retain the ability to change investment manager should the performance and processes of the investment manager deviate from the Trustees' policies. However, the Trustees expect their manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective.

Employer-related investments

The Trustees will not make direct investments in the Sponsoring Employer's own securities. The amount of the Sponsoring Employer's securities, owned by pooled investment vehicles invested in, are monitored. The Trustees have delegated the responsibility for the exercising of any voting rights attached to any Sponsoring Employer investment held to the investment managers.

Additional voluntary contributions (AVCs)

The Trustees have full discretion as to the appropriate investment vehicles made available to members of the Plan for their voluntary contributions. Only investment vehicles normally considered suitable for voluntary contributions will be considered by the Trustees, having taken appropriate written advice from their investment advisers.

The Trustees make available the following range of investment options for the members' AVCs:

AVC provider	Investment options
Aviva	With Profits
Clerical Medical	With Profits
Utmost	With Profits
Legal & General	With Profits
Henderson Global Investors	Cautious Managed
Henderson Global Investors	Long Term Balanced
Henderson Global Investors	UK Long Dated Gilts
Santander	Deposit Accounts

In selecting this range of funds offered the Trustees have taken advice from their professional advisers on:

- The risks faced by members in investing on a money purchase basis.
- The Trustees' responsibilities in the selection and monitoring of the investment options offered.
- The Trustees will continue to manage the AVC arrangements having taken professional advice on these matters.
- The Trustees will monitor the performance of AVC providers periodically.
- Members are directed to seek independent financial advice when considering their AVC arrangements.

Appointments and responsibilities

This section sets out the key appointments and responsibilities with respect to the investment aspects of the Plan.

A full list of the Plan's advisers is provided at the front of the Plan's Annual Report and Financial Statements. However, at the time of writing this SIP:

- The investment consultants are Buck Consultants (Administration & Investment) Limited.
- The investment managers are detailed in the Appendices to this SIP.
- For pooled funds, custodial duties are undertaken by the relevant investment manager and, therefore, are not detailed in this SIP.
- The Scheme Actuary is Steven Roper of Buck.

Trustees

The Trustees' primary responsibilities include:

- The preparation of this SIP, reviewing its contents and modifying it if deemed appropriate, in consultation with the Sponsoring Employer and the investment consultant, at least every three years. The SIP will also be reviewed following a significant change to investment strategy and/or the investment manager(s).
- Appointing investment consultants and investment managers as necessary for the good stewardship of the Plan's assets.
- Reviewing the investment strategy as part of each triennial actuarial valuation, and/or asset liability modelling exercise, and/or significant changes to the Plan's liabilities, taking advice from the investment consultant.
- Assessing the processes and the performance of the investment manager(s) by means of regular, but not less than annual, reviews of information obtained (including investment performance).
- Monitoring compliance of the investment arrangements with this SIP and with the relevant sections of the Act, the Investment Regulations and any regulatory guidance on a regular basis.
- Monitoring risk and the way in which the investment manager(s) have cast votes on behalf of the Trustees in respect of the Plan's equity holdings.

Investment consultant

The main responsibilities of the investment consultant include:

- Assisting the Trustees in the preparation and periodic review of this SIP in consultation with the Sponsoring Employer.
- Undertaking project work including the development and review of investment strategy, investment performance and manager structure as required by the Trustees.
- Advising the Trustees on the selection and review of the investment manager(s).
- Providing training or education on any investment related matter as and when the Trustees see fit.

- Monitoring and advising upon where contributions should be invested or disinvested on a periodic basis.

Investment managers

The investment managers' main responsibilities include:

- Investing the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation.
- Ensuring that the investment of the assets within their portfolio is compliant with prevailing legislation.
- Providing the Trustees with quarterly reports and a review of the investment performance of their portfolio.
- Meetings with the Trustees as and when required.
- Informing the Trustees of any changes in the fee structure, internal performance objectives and guidelines of any pooled fund within their portfolio as and when they occur.
- Considering financially material risks affecting investments within their portfolio.
- Exercising voting rights on shareholdings within their portfolio in accordance with their general policy.

Custodians

The custodians' main responsibilities include:

- The safe-keeping of the Plan's assets in respect of which they are responsible.
- The custodianship arrangements are those operated by the investment managers for all clients investing in its pooled funds.

Scheme Actuary

The Scheme Actuary's main responsibilities in respect of investment policy include:

- Commenting on the suitability of the Plan's investment strategy given the financial characteristics of the Plan.
- Performing the triennial (or more frequently as required) actuarial valuation and advising on the Plan's funding level and therefore the appropriate level of contributions in order to aid the Trustees in balancing short-term and long-term investment objectives.

Compliance

The Plan's SIP is available to members on request.

A copy of the Plan's current SIP is also supplied to the Sponsoring Employer, the Plan's auditors and the Scheme Actuary.

This SIP, taken as a whole with the Appendices, supersedes all others and was approved by the Trustees.

Full name

Signature

Position

For and on behalf of

Date

Full name

Signature

Position

For and on behalf of

Date

Appendix 1 – Strategic benchmark and objectives

Plan's target asset allocation

The Plan's target asset allocation is tabulated below:

Asset type	Investment style	Allocation (%)	Control range (%)
UK Equity	Passive	25	5
Overseas Equity	Passive	25	5
Diversified Growth Fund	Active	12	5
Property Income	Active	10	5
Return enhancing		72	
Gilts	Passive	14	5
Index-Linked Gilts	Passive	14	5
Risk reducing		28	
Cash	-	-	-
Total		100	

Please note: There is a lower cap in place of 0% for all the control ranges. This has been the case since the original documents were signed back in 2005.

Benchmark and performance objectives

Benchmark indices and relative performance objectives for each of the funds in which the Plan's assets are invested are outlined below. All performance targets are gross of fees and relate to rolling three-year periods.

Manager	Fund	Benchmark index
SSgA	MFP UK Equity Index sub-Fund	FTSE All-Share
SSgA	MFP North America Equity (50% Hedged) Index sub-Fund	FTSE All-World Developed North America 50% Hedged to Sterling Index
SSgA	MFP Europe ex UK Equity (50% Hedged) Index sub-Fund	FTSE All-World Developed Europe ex UK 50% Hedged to Sterling Index
SSgA	MFP Japan Equity Index sub-Fund	FTSE All-World Developed Japan Index
SSgA	MFP Asia Pacific ex Japan Equity Index sub-Fund	FTSE All-World Developed Asia Pacific ex Japan Index
SSgA	MFP Emerging Markets Equity Index sub-Fund	FTSE All-World All Emerging Markets
SSgA	MFP UK Conventional Gilts All Stocks Index sub-Fund	FTSE Actuaries British Government All Stocks
SSgA	MFP UK Index Linked Gilts All Stocks Index sub-Fund	FTSE Actuaries British Government Index Linked All Stocks
Ninety One	Ninety One Diversified Growth Fund	UK CPI*
LGIM	Limited Price Inflation Property Income Fund	To provide an income stream that rises in line with Limited Price Inflation (RPI between 0% and 5%)

Sources: SSgA, Ninety One & LGIM

*Target return for Ninety One is UK CPI + 5% (gross of fees)

Appendix 2 – Fees

Investment manager fees

Manager	Fund	Management Fee first £5m %p.a.	Management Fee between £5m and £30m %p.a.	Management Fee over £30m %p.a.
SSgA	MFP UK Equity Index Sub-Fund	0.080	0.070	0.050
	MFP North America Equity (50% Hedged) Index Sub-Fund	0.080	0.070	0.050
	MFP Europe ex UK Equity (50% Hedged) Index Sub-Fund	0.080	0.070	0.050
	MFP Japan Equity Index Sub-Fund	0.080	0.070	0.050
	MFP Asia Pacific ex Japan Equity Index Sub-Fund	0.100	0.080	0.060
	MFP Emerging Markets Equity Index Sub-Fund	0.200	0.180	0.150
	MFP UK Conventional Gilts All Stocks Index Sub-Fund	0.060	0.050	0.035
MFP UK Index Linked Gilts All Stocks Index Sub-Fund	0.060	0.050	0.035	

Manager	Fund	Management Fee % p.a.
Ninety One	Diversified Growth Fund	0.600

Manager	Fund	Management Fee first £7.5m %p.a.	Management Fee between £5m and £30m %p.a.	Management Fee over £30m %p.a.
LGIM	Limited Price Inflation Property Income Fund	0.400	0.350	0.300

Sources: SSgA, Ninety One & LGIM

Investment consultancy fees

The investment consultant provides agreed services on a fixed fee basis, with additional projects provided on a time cost basis subject to agreement in advance.

The basis of remuneration is kept under review.