The Estuary Services Limited Pension Scheme (the "Scheme")
Statement of Investment Principles (the "Statement")

Scope of Statement

This Statement has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005).

The effective date of this Statement is 30 September 2020. The Trustees will review this Statement and the Scheme's investment strategy no later than three years after the effective date of this statement and without delay after any significant change in investment policy.

Consultations Made

The Trustees have consulted with the relevant employer, prior to writing this Statement and will take the employer's comments into account when they believe it is appropriate to do so.

The Trustees are responsible for the investment strategy of the Estuary Services Limited Pension Scheme. They have obtained written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Aon Solutions UK Limited who are authorised and regulated by the Financial Conduct Authority.

The day to day management of the Scheme's assets has been delegated to investment managers who are appropriately authorised and regulated as required under the Financial Services and Markets Act 2000 (amended by the Financial Services Act 2012). A copy of this Statement is available to Scheme members on request.

Objectives and Policy for Securing Objectives

The Trustees' objectives for setting the investment strategy of the Scheme have been set with regard to the Scheme's Statutory Funding Objectives as set out in the Statement of Funding Principles.

The Trustees' primary objectives are:

- "funding objective" - to ensure that the Scheme is fully funded using assumptions that contain a modest margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the employer;

- "stability objective" – to have due regard to the likely level and volatility of required contributions when setting the Scheme's investment strategy;

- "security objective" – to ensure that the solvency position of the Scheme (as assessed on a gilt basis) is expected to improve. The Trustees will take into account the strength of employer's covenant when determining the expected improvement in the solvency position of the Scheme; and

- "risk management" – to manage the risks of matching assets against the method used by the Scheme Actuary in funding calculations.

Choosing Investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cashflow requirements, the funding level of the Scheme and the Trustees' objectives.

The assets of the Scheme are invested in the best interests of the members and beneficiaries. This means that due consideration is given to the security of the assets as well as the need to generate an appropriate return. The priority of the Trustees when considering these factors is the needs of the members and the beneficiaries.

The Trustees exercise their powers of investment (or delegation where these powers have been delegated to a fund manager) in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk a spread of assets is held. The diversification is both within and across the major asset classes.

Assets held to cover the Scheme's technical provisions (the liabilities of the Scheme) are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

The assets of the Scheme are invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Investment in derivatives is only made in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

In setting the Scheme's investment strategy, the Trustees' primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. The Trustees believe that in order to fulfil this commitment and to protect and enhance the value of the Scheme's investments, they must act as a responsible steward of the assets in which the Scheme invests. Specific details of the investment management arrangements are given in Appendix 1 to this Statement.

Arrangements with asset managers

The Trustees regularly monitor the Scheme's investments to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustees' policies, including those on non-financial matters. This includes monitoring the extent to which asset managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustees are supported in this monitoring activity by their investment consultant.

The Trustees receive annual reports and verbal updates from the investment consultant on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives and assess the asset managers over 3-year periods.

The Trustees also receive annual stewardship reports on the monitoring and engagement activities carried out by their asset manager, which supports them in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

The Trustees share the policies, as set out in this SIP, with the Scheme's asset managers, and requests that the asset managers review and confirm whether their approach is in alignment with the Trustees' policies.

Before appointment of a new asset manager, the Trustees review the governing documentation associated with the investment and will consider the extent to which it aligns with their policies. Where possible, they will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Scheme invests in a collective vehicle, then the Trustees will express their expectations to the asset managers by other means (such as through a side letter, in writing, or verbally at Trustees' meetings).

The Trustees believe that having appropriate governing documentation, setting clear expectations to the asset managers by other means (where necessary), and regular monitoring of asset managers' performance and investment strategy, is, in most cases, sufficient to incentivise the asset managers to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where asset managers are considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically first engage with the manager, but could ultimately replace the asset manager where this is deemed necessary.

There is typically no set duration for arrangements with asset managers, although the continued appointment all for asset managers will be reviewed periodically, and at least every three years. For certain closed ended vehicles, the duration is defined by the nature of the underlying investments.

The Trustees will annually review the carbon intensity of the portfolio and expect the carbon intensity of the overall portfolio to trend downwards. Where appropriate, the Trustees will engage with managers who have a relatively high carbon intensity portfolio.

Investment Risk Measurement and Management

The Trustees recognise that the key source of financial risk (in relation to meeting their objectives) arises from asset allocation. They therefore retain responsibility for setting asset allocation and take expert advice as required from their professional advisers.

The Trustees review their investment strategy following each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). The Trustees take written advice from their professional advisers regarding an appropriate investment strategy for the Scheme.

Risks associated with changes in the employer covenant are assessed by monitoring the Failure Score (as defined for the purposes of calculating the risk-based element of the Pension Protection Fund levy). This role is undertaken by Aon Solutions UK Limited on behalf of the Trustees. The Trustees also have an agreement with the employer to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring employers: in particular, the Trustees will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator and employer-related Notifiable Events. On receipt of such notification, the Trustees will re-consider the continued appropriateness of the Scheme's existing investment strategy.

The Trustees monitor the risks arising through the selection or appointment of fund managers on a regular basis via investment monitoring reports. Expected deviation from the benchmark (for the passive manager) or out-performance target (for the active manager) is detailed in Appendix 1 of this statement. The Trustees have appointed Aon Solutions UK Limited to alert them on any matters of material significance that might affect the ability of each fund manager to achieve its objectives.

The Trustees acknowledge that investment returns achieved outside the expected deviation (positive or negative) maybe an indication that the investment manager is taking a higher level of risk than indicated.

Matters with regard to investment are considered by the Trustee body as a whole and the fund managers are seen on a regular basis.

Custody

Investment in pooled funds gives the Trustees a right to the cash value of the units rather than to the underlying assets. The managers of the pooled funds are responsible for the appointment and monitoring of the custodian of the fund's assets.

The custodians are independent of the employer.

Expected Returns on Assets

Over the long-term the Trustees' expectations are:

- the projected investment returns for the asset classes taken from the 2018 actuarial valuation exercise are: 5.2% for the "growth" (pre-retirement) assets and 2.2% for the "matching" (post retirement) assets and 3.5% for RPI inflation.

Returns achieved by the fund managers are assessed against performance benchmarks set by the Trustees in consultation with their advisers and fund managers.

Realisation of Investments/Liquidity

The Trustees recognise that there is a risk in holding assets that cannot be easily realised, should the need arise.

The majority of the assets held are realisable at short notice (either through the sale of direct holdings of stocks, bonds etc. or the sale of units in pooled funds).

Cost Monitoring

The Trustees are aware of the importance of monitoring their asset managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustees recognise that in addition to annual management charges, there are a number of other costs incurred by their asset managers including turnover costs (i.e. the costs incurred when the assets managers buy and sell underlying investments).

The Trustees asks all of their asset managers to provide full details of the costs incurred in managing the Scheme's assets and expect them to provide this information in line with the CTI cost transparency template. The costs are reviewed annually to determine the overall cost level and, where these costs are out of line with expectations, the managers will be asked to explain the rationale, including why it is consistent with their strategy and the extent they expect it to continue in the future.

The Trustees accept that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable, as long as it is consistent with the asset class characteristics and manager's style and historic trends.

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment managers' fund holdings change over a year. The Scheme's investment consultant monitors this on behalf of the Trustees as part of the manager monitoring they provide to the Trustees and flags where there are concerns.

Where the Trustees' monitoring identifies a lack of consistency the mandate will be reviewed.

The Trustees are supported in their cost transparency monitoring activity by their investment consultant.

Environmental, Social and Governance Considerations

The Trustees acknowledge that an understanding of financially material considerations, including environmental, social and corporate governance (ESG) factors (such as climate change) and risks related to these factors, can contribute to the identification of investment opportunities and financially material risks.

As part of their delegated responsibilities, the Trustees expect the Scheme's investment managers to take into account corporate governance, social and environmental considerations (including long-term risks posed by sustainability concerns including climate change risks) in the selection, retention and realisation of investments. Any decision should not apply personal ethical or moral judgments to these issues, but should consider the sustainability of business models that are influenced by them.

The Trustees are taking the following steps to monitor and assess ESG related risks and opportunities:

- The Trustees will have periodic training on Responsible Investment to understand how ESG factors, including climate change, could impact the Scheme's assets and liabilities.

- As part of ongoing monitoring of the Scheme's investment managers, the Trustees will use ESG ratings information provided by Aon, where relevant and available, to monitor the level of the Scheme's investment managers' integration of ESG on a regular basis.

- The Trustees will request all of the Scheme's investment managers to provide their Responsible Investment policy and details of how they integrate ESG into their investment decision making process on a regular basis. Should the Scheme look to appoint a new manager, the Trustees will request this information as part of the selection process. All responses will be reviewed and monitored with input from their investment consultant.

Stewardship – Voting and Engagement

The Trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which their investments reside. The Trustees recognise that ultimately this protects the financial interests of the Scheme and its beneficiaries.

The Trustees regularly review the suitability of the Scheme’s appointed asset managers and takes advice from their investment consultant with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustees have set out in their policy, the Trustees aim to engage with the manager and seek a more sustainable position, but may ultimately look to replace the manager.

The Trustees require the Scheme's investment managers to use their influence as major institutional investors to carry out the Trustees' rights and duties as a shareholder including voting, along with – where relevant and appropriate – engaging with underlying investee companies to promote good corporate governance, accountability, and positive change.

The Trustees require that their investment managers will provide details of their stewardship policy and activities on a regular basis, and will monitor this with input from their investment consultant. The Trustees will engage with their investment managers where necessary for more information.

The Trustees review the stewardship activities of their asset managers on an annual basis, covering both engagement and voting actions. The Trustees will review the alignment of their policies to those of the Scheme’s asset managers and ensure their managers, or other third parties, use their influence as major institutional investors to carry out the Trustees’ rights and duties as a responsible shareholder and asset owner.

The Trustees will engage with their investment managers, as necessary, for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This will take the form of annual reporting, which will be made available to Scheme members on request.

The transparency for voting should include voting actions and rationale with relevance to the Scheme, in particular where: votes were cast against management; votes against management generally were significant, votes were abstained; voting differed from the voting policy of either the Trustees or the asset manager. Where voting is concerned, the Trustees expect their asset managers to recall stock lending as necessary, in order to carry out voting actions.

From time to time, the Trustees will consider the methods by which, and the circumstances under which, they would monitor and engage with an issuer of debt or equity, an asset manager or another holder of debt or equity, and other stakeholders. The Trustees may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest where they become known to the Trustees.

Members' Views and Non-Financial Factors

The Trustees do not specifically take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme (defined as 'non-financial factors' in the 2018 Regulations). The Trustees will review their policy towards this on a triennial basis.

Additional Voluntary Contributions ("AVC's") Arrangements

Some members obtain further benefits by paying Additional Voluntary Contributions (AVCs) to the Scheme. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions.

From time to time the Trustees review the choice of investments available to members to ensure that they remain appropriate to the members' needs.

The Estuary Services Limited Pension Scheme (the "Scheme")
Appendix I to Statement of Investment Principles

This Appendix sets out the Trustees' current investment strategy, and is supplementary to the Trustees' Statement of Investment Principles (the "attached Statement").

The Trustees' investment strategy has been established in order to maximise the likelihood of achieving the primary objectives set out in the attached Statement. The details are laid out below:-

1. Asset Allocation Strategy

The long-term asset allocation benchmark for the Scheme is as follows:

Asset Class	Weight (%)
Global Equities	20.0%
Diversified Growth Funds	20.0%
Multi-Asset Credit	25.0%
Corporate Bonds	15.0%
Liability Driven Investment Funds	20.0%

2. Investment Management Arrangements

2.1 Equities

All equities are invested in the Global Equity Fixed Weights (60:40) Index Fund – GBP Hedged with the asset allocation as follows:

Region	Benchmark	Equity Weight	Target Gross of Fees	Expected Tracking Error
UK	FTSE All Share Index	60%	Benchmark	+/- 0.25% p.a.
North America	FTSE World North America Index GBP Hedged	14%	Benchmark	+/- 0.5% p.a.
Europe (ex-UK)	FTSE World Europe (ex-UK) Index GBP Hedged	14%	Benchmark	+/- 0.5% p.a.
Japan	FTSE World Japan Index GBP Hedged	7%	Benchmark	+/- 0.5% p.a.
Asia Pacific (ex-Japan)	FTSE World Asia Pacific (ex-Japan) Index GBP Hedged	5%	Benchmark	+/- 0.75% p.a.

2.2 Diversified Growth Funds (DGF)

The DGF allocation is invested in the Newton Real Return Fund.

Manager	Benchmark	Target
Newton	1 Month GBP LIBOR	4.0% p.a. gross benchmark outperformance over 5 years

2.3 Multi-Asset Credit (MAC)

The MAC allocation is invested in the PIMCO Diversified Income Fund.

Manager	Benchmark	Target
PIMCO	Equally weighted benchmark of the Barclays Global Aggregate Credit Component, BofA Merrill Lynch Global High Yield BB-B Rated Constrained and JPMorgan EMBI Global	There is no explicit target, but the fund aims to deliver 1-1.5% p.a. over the benchmark

2.4 Gilts/Bonds

All bonds are invested in the L&G Active Corporate Bond Over 10 Year Fund.

Manager	Benchmark	Target	Tracking Error
Legal & General	iBoxx £ Non Gilts 10 Year+ Index	0.75% p.a. gross benchmark outperformance over 3 year rolling periods	1.5% p.a.

2.5 Liability Driven Investment ('LDI') Funds

The Scheme invests in the following LDI Funds:

Manager	Fund	Target
Insight	Enhanced Selection Longer Nominal Fund	The Funds have a Gilt Comparator and a Swaps Comparator. Given the dynamic approach between Gilts and Swaps adopted by the Funds, over the long term, the Funds should outperform both comparators.
Insight	Enhanced Selection Shorter Nominal Fund	
Insight	Enhanced Selection Longer Real Fund	
Insight	Enhanced Selection Shorter Real Fund	

2.6 Cash balances

A working balance of cash is held for imminent payment of benefits, expenses, etc. Surplus cash, held to meet future cashflow requirements, is held in the L&G Sterling Liquidity Fund. Under normal circumstances, it is not the Trustees' intention to hold a significant cash balance and this is carefully monitored by the Scheme's administrator.

2.7 Re-balancing arrangements

In order to ensure the assets are re-balanced in line with the Asset Allocation Strategy, the Trustees, review the balance of the assets on a regular basis, following which appropriate corrective action is taken.

3. Fee structure for advisers and managers

3.1 Advisers

The Trustees' investment advisers are paid for advice received on the basis of the time spent by the adviser. For significant areas of advice (e.g. one off special jobs, or large jobs, such as asset and liability modelling), the Trustees will endeavour to agree a project budget.

These arrangements recognise the bespoke nature of the advice given and that no investment decisions have been delegated to the adviser.

3.2 Investment managers

The investment managers are remunerated as a set percentage of the assets under management. This is in keeping with market practice.

3.3 Summary of investment management fee arrangements

Manager	Annual Management Charge Fee Scale
Legal & General Global Equity Fixed Weights (60:40) Index Fund – GBP Hedged	0.09% p.a.
Newton Real Return Fund	0.75% p.a.
PIMCO Diversified Income Fund	0.69% p.a.
L&G Active Corporate Bond Over 10 Year Fund	0.25% pa
Insight LDI Funds	Fixed Fee: 0.10% pa on the first £100m of hedged liabilities, 0.095% pa on the next £150m, 0.09% thereafter