# Notcutts Limited Pension and Life Assurance Scheme

# Statement of Investment Principles

## April 2026

# Contents


1. Introduction ..... 3
2. Investment governance structure ..... 4
3. Investment beliefs ..... 5
4. Stewardship ..... 7
5. Investment objectives ..... 8
6. Risk capacity and risk appetite ..... 9
7. Strategic asset allocation ..... 10
8. Investment manager arrangements ..... 12
9. Monitoring ..... 15
10. Future amendments ..... 16

Appendix: Investment risks and their mitigation

# 1. Introduction

This statement provides information about the investment strategy adopted by the Trustees for the Scheme. This statement meets the requirements of legislation[1], as well as the expectations set out in the General Code of Practice.

Throughout the statement, wording in blue represents actions that will be taken by the Trustees in connection with the Scheme's investment arrangements.

[1] Consideration has been given to:

- the Pensions Act 1995
- the Occupational Pensions (Investment) Regulations 2005
- the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

## 2. Investment governance structure

### Investment advice

The Trustees will obtain and consider written advice from a suitably skilled and professionally qualified adviser when reviewing the Scheme's investment strategy and when considering the suitability of potential investments.

### Legal advice

The Trustees will seek legal advice relating to investment matters whenever deemed necessary.

### Consultation with the sponsoring employer

The Trustees will consult with the sponsoring employer before making any changes to the Scheme's investment strategy.

### Conflicts of interest

The Trustees are satisfied that the Scheme's investment strategy meets their responsibility to invest the assets in the best interests of the members and beneficiaries and, in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries.

### Investment managers

Day-to-day management of the Scheme's assets, including the selection, retention and realisation of investments, is delegated to one or more investment managers.

### Custodians

To ensure safekeeping of the assets, ownership and day-to-day control of the assets is undertaken by custodian organisations which are independent of the sponsoring employer and the investment managers. Where a pooled fund is held, the custodian will typically be appointed by the investment manager.

# 3. Investment beliefs

The investment beliefs stated below have been developed by the Trustees and are reflected in the Scheme's investment strategy.

### Basic investment principles

The Trustees believe that the following three basic investment principles should be taken into account in the construction of the Scheme's investment strategy:

i) Targeting higher levels of investment return requires increased levels of investment risk which increases the volatility of the funding position.

ii) Long-term performance of the Scheme's assets is attributable primarily to the strategic asset allocation rather than the choice of investment managers.

iii) Asset diversification helps to reduce risk.

### Financially material considerations and the appropriate time horizon

The Trustees believe that the potential impact of any financially material considerations that may affect the Scheme's investments should be assessed over the period during which benefits are expected to be paid from the Scheme. In the terminology used by legislation, the Trustees consider this period of time to be "the appropriate time horizon" of the investments.

### Environmental, Social and Governance (ESG)

The Trustees believe that the impact of ESG risks and opportunities can be financially material and the Trustees recognise that ESG matters, particularly climate change, should be assessed over the appropriate time horizon.

### Use of active management

The Trustees believe that active management has the potential to add value either through offering the prospect of enhanced returns or through the control of volatility.

The Trustees believe that active management may help to mitigate the financial impact of ESG risks.

## 3. Investment beliefs (continued)

### Stewardship

Stewardship is defined by the Financial Reporting Council as being "the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society".

The Trustees believe that good stewardship can help create, and preserve, value for companies and markets as a whole.

### Members' views (non-financial matters)

Legislation defines non-financial matters as including (but not limited to) ESG matters and the present and future quality of life of the members and beneficiaries of a scheme.

The Trustees believe that their duty to members and beneficiaries will be best served by ensuring that all benefits can be paid as they fall due and the Trustees' Investment Objectives are designed to ensure this duty is achieved.

In reaching this conclusion, the Trustees considered whether to take members' views into account when determining a suitable investment strategy and in the selection, retention and realisation of investments. However, the Trustees have determined that it would not be practical to do so. In particular, the Trustees concluded that it is likely that members and beneficiaries would hold a broad range of views, which would be difficult to accommodate.

At least every three years, the Trustees will:

- Review the suitability of their investment beliefs.
- Review their policy on whether to take account of members' views within the Scheme's investment strategy and in the selection, retention and realisation of investments.

## 4. Stewardship

The Scheme's assets are invested in pooled funds, and therefore the Trustees accept that ongoing engagement with the underlying companies (including the exercise of voting rights) will be determined by an investment manager's own policies on such matters. Consequently, the Trustees recognise that their ability to directly influence the action of companies is limited.

The Trustees consider an investment manager's policies on engagement and voting in making decisions about retaining and appointing investment managers.

The Trustees recognise that members might wish the Trustees to engage with the underlying companies in which the Scheme invests with the objective of improving corporate behaviour to benefit the environment and society. However, the Trustees' priority is to select investment managers which are best suited to help meet the Trustees' investment objectives, and ultimately to ensure that members' benefits can be paid as and when they fall due.

The Trustees expect that each investment manager should discharge its responsibilities in respect of investee companies in accordance with that investment manager's own corporate governance policies and current best practice, such as the UK Stewardship Code and the UN Principles for Responsible Investment.

The Trustees expect that, where appropriate, each investment manager should take ESG considerations into account when exercising the rights attaching to investments and in taking decisions relating to the selection, retention and realisation of investments.

The Trustees expect that the investment managers selected to manage the Scheme's assets should invest for the medium to long term and should engage with issuers of debt or equity with a view to improving performance over this time frame.

The Trustees will review the stewardship policies of the investment managers on an annual basis.

## 5. Investment objectives

The Trustees' primary investment objectives are:

- To ensure that the assets are sufficient and available to pay members' benefits as and when they fall due.
- To generate an appropriate level of investment returns – to improve the funding position and thereby improve security for members.
- To protect the funding position – limiting the scope for adverse investment experience reducing security for members.

The Trustees' investment approach is designed to strike a balance between the above primary objectives but also considers:

- The nature and timing of benefit payments.
- Expected levels of investment return on different asset classes.
- Expected levels of investment return variability and, specifically, the expected level of short-term volatility of the funding position.
- The sponsoring employer's ability to withstand additional contribution requirements that may arise from volatility in the funding position.

The Trustees have taken advice from their investment adviser to construct a portfolio of investments consistent with these objectives. In doing so, consideration is given to all matters which are believed to be financially material.

The Trustees will review their investment objectives at least every three years.

## 6. Risk capacity and risk appetite

In determining an appropriate investment strategy for the Scheme, the Trustees consider the ability of the Scheme and the sponsoring employer to absorb risks.

The principal investment risks identified by the Trustees are listed in the appendix to this document together with an explanation of how those risks are mitigated.

The Trustees will review the investment risks faced by the Scheme at least every three years.

# 7. Strategic asset allocation

In determining the strategic asset allocation, the Trustees view the investments as falling into the following categories:

1. **Growth Assets** – Assets that are expected to deliver long-term returns in excess of liability growth. The allocation to Growth Assets is expected to improve the Scheme's funding position over time.

2. **Matching Assets** – Assets that are expected to react in a similar way to the Scheme's liabilities to changes in gilt yields and expectations of future inflation. The allocation to Matching Assets is expected to reduce the volatility of the Scheme's funding position.

To implement the investment strategy, the Trustees consider the full range of available investments (within the bounds of practicality). This range includes, but is not limited to:

- Equities
- Bonds
- Property
- Commodities
- Multi-asset funds
- Liability driven investment
- Derivatives
- Cash

The strategic split of the Scheme's assets is 64% Growth Assets and 36% Matching Assets. However, this allocation is not regularly rebalanced and will fluctuate as market conditions change.

## 7. Strategic asset allocation (continued)

At the time of the latest investment strategy review, the strategic allocation for the Scheme's assets was:

| | |
|---|---|
| Equities | 21% |
| Diversified Credit | 43% |
| Buy & Maintain Credit | 5% |
| Liability Driven Investment | 25% |
| Cash | 6% |

The Trustees expect the return on assets to be sufficient to support the funding of the Scheme on the Statutory Funding Basis.

The Trustees will review the strategic asset allocation at least every three years to ensure that the investment strategy remains consistent with the Trustees' funding objectives. As part of such a review, the Trustees will consider the risks associated with the investment strategy.

**Cash**

The Trustees may hold cash, either in a cash fund or in the Trustees' bank account.

**Cashflow management**

Investments into, and disinvestments from, the Scheme will be structured in a way that is consistent with the Scheme's strategic asset allocation.

**Additional Voluntary Contributions (AVCs)**

AVCs are held separately from the Scheme's other investments and the AVCs are used to secure benefits on a money purchase basis for members at retirement.

The Trustees will review the ongoing suitability of the AVC arrangements on a periodic basis.

## 8. Investment manager arrangements

The Scheme's assets are invested predominantly on regulated markets, as so defined in legislation. Any investments that do not trade on regulated markets are kept to a prudent level.

The Trustees will primarily hold pooled funds and will ensure the Scheme's assets are predominantly invested on regulated markets.

**Use of derivatives**

The Trustees may select funds which are permitted to use derivative instruments to reduce risk or for efficient portfolio management.

**Use of leverage**

The investment strategy agreed by the Trustees includes a holding in leveraged assets which is used to hedge the sensitivity of the liabilities to changes in interest rates and inflation expectations. The use of leverage increases the value of assets available to be invested for growth and ensures that the overall level of expected return from the Scheme's investment strategy is sufficient to support the discount rate used for Scheme funding purposes.

Leverage is achieved through investment in liability driven investment (LDI). The LDI manager monitors leverage on a daily basis by ensuring that sufficient collateral is retained within each LDI fund. If the leverage within an LDI fund increases above an upper threshold, a leverage management payment will be required under which additional assets will be transferred into the LDI fund to increase the collateral.

The agreed structure for managing leverage uses daily traded funds as the source for LDI leverage management payments. These are held on an investment platform, alongside the LDI, meaning payments into the LDI fund can be processed quickly by the platform provider.

The Trustees have provided instructions to the platform provider such that a transfer of assets to reduce leverage can be agreed between the manager of the LDI fund and the platform provider without the need for trustee involvement. This structure ensures that leverage can be reduced quickly if required.

## 8. Investment manager arrangements (continued)

**Alignment with the Trustees' investment principles**

To assess the suitability of a fund, the Trustees consider, in conjunction with their investment adviser, how the fund would fit within the Scheme's investment strategy and how the fund is expected to help the Trustees meet their investment objectives. As part of this consideration, all matters which are deemed to be financially material are taken into account including:

- Whether the investment manager has appropriate knowledge and experience.
- The fund's objective and whether that objective is consistent with the performance that the Trustees expect from that fund.
- The risks associated with the fund.
- Whether the fund's return is expected to exceed inflation over the long-term.
- Past performance – with the emphasis being on assessing long-term performance.
- The assets that will be held within the fund, including whether the asset allocation is expected to change over time, and the extent of any exposure to overseas currencies.
- The fund's fee structure - to ensure that this is reasonable and that it does not provide an incentive for the investment manager to manage the fund in a way that differs from the Trustees' expectations.
- Where appropriate, whether the higher fees associated with active management are justified.
- How frequently underlying investments within the pooled fund are expected to be traded by the investment manager.
- The investment manager's approach to ESG matters.
- The investment manager's policy in relation to the exercise of the rights (including voting rights) attaching to the investments held within the fund.

## 8. Investment manager arrangements (continued)

- The investment manager's policy in relation to undertaking engagement activities in respect of the investments held within the fund*.

**This includes engaging with an issuer of debt or equity regarding matters including (but not limited to) performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, and ESG considerations. It also includes engaging on these matters with other investment managers, other holders of debt or equity and persons or groups of persons who have an interest in the issuer of debt or equity.*

The investment managers are incentivised to maintain an approach consistent with that expected when they were selected by the Trustees by the payment of the investment management fee (and in the knowledge that a change of approach may cause investors to reconsider the investment).

The Trustees expect investment managers, where appropriate, to make decisions based on assessments of the longer term financial and non-financial performance of debt/equity issuers, and to engage with issuers to improve their performance. The Trustees assess this when selecting and monitoring managers.

**Duration of investment manager arrangements**

Although the Trustees review the ongoing suitability of the funds held regularly, the expectation is that funds will normally be held for several years.

At least every three years, the Trustees will review whether the ongoing use of each fund remains consistent with their investment strategy.

The Trustees will ensure that any new funds introduced into the investment strategy are appropriate to the circumstances of the Scheme.

# 9. Monitoring

The Trustees review the Scheme's investments for all matters considered to be financially material (including ESG, stewardship matters and portfolio turnover costs[2]) regularly. This includes reviewing that each fund continues to operate in a manner that is consistent with the factors used by the Trustees to select the fund and that the choice of funds remains appropriate.

When assessing the performance of a fund, the Trustees do not usually place too much emphasis on short-term performance although they will seek to ensure that reasons for short-term performance (whether favourable or unfavourable) are understood.

**Action when a pooled fund is causing concern**

Where concerns about a fund are identified, the Trustees may look to reduce exposure to that fund or disinvest from it entirely. However, such action is expected to be infrequent and, in the first instance, the Trustees would normally expect their investment adviser to raise the concerns with the investment manager. Thereafter, the Trustees, in conjunction with their investment adviser, would monitor the position to assess whether the situation improves.

The Trustees will regularly assess the ongoing suitability of each fund held for all matters deemed to be financially material (including ESG, stewardship matters and portfolio turnover costs).

[2] In monitoring portfolio turnover costs for a pooled fund, the Trustees expect investment managers to provide cost data under the framework developed by the Cost Transparency Initiative.

## 10. Future amendments

The Trustees will review this statement at least every three years and without delay after any significant change in circumstances or investment strategy.

In preparing this statement, the Trustees consulted with the sponsoring employer.

The Trustees will consult with the sponsoring employer before amending this statement.

The Trustees received and considered written investment advice from a suitably skilled and professionally qualified adviser to help with the preparation of this statement.

The Trustees will obtain and consider written advice from their investment adviser before amending this statement.

The principles set out in this statement have been agreed by the Trustees:

Signed: Agreed by the Trustees of the Notcutts Limited Pension and Life Assurance Scheme

Date: 1 May 2026

## Appendix: Investment risks and their mitigation

The principal investment risks identified by the Trustees are listed below together with an explanation of how they are mitigated.

**Indirect credit risk**

The risk that an investment held within a pooled fund will suffer a financial loss because of a third party failing to pay monies that it owes.

**Currency risk**

The risk that the value of an investment will fall because of adverse movements in currency markets.

**Real return risk**

The risk that the Scheme's assets do not deliver a long-term return in excess of inflation.

**ESG risk**

The risk that ESG factors will adversely impact the value of the Scheme's investments.

**Investment manager risk**

The risk that an investment manager does not deliver returns in line with expectations.

Mitigation of the above risks

The risks listed above are mitigated by the Trustees monitoring the suitability of the funds used by the Scheme.

**Solvency and employer covenant risk**

The risk that the Scheme's assets fall short of the amount required to pay all benefits and expenses as they fall due and that insufficient assets could be recoverable from the sponsoring employer to meet the shortfall.

Mitigation

The Trustees' funding approach is designed to be prudent and, in determining the funding and investment strategy, the Trustees consider the strength of the covenant of the sponsoring employer.

## Appendix: Investment risks and their mitigation (continued)

### Self-investment risk

The risk that the Scheme's assets are linked to the sponsoring employer which could mean a reduction in the covenant of the sponsoring employer would simultaneously decrease the value of the Scheme's assets.

Mitigation

The Trustees will ensure exposure to employer-related assets does not exceed limits prescribed in legislation.

### Direct credit risk

The risk that disruption with an investment manager (such as fraud or insolvency) could adversely impact the value of the Scheme's investments.

Mitigation

Any pooled funds held are structured such that the Scheme's assets are ringfenced from the assets of the investment manager.

There are a number of mitigants in relation to fraud, including the investment managers' internal controls.

### Interest rate risk and inflation risk

The risk that movements in interest rates/expectations for future inflation will adversely impact the value of the Scheme's investments.

Mitigation

Any assets held which have significant interest rate/inflation exposure will be selected to offset the sensitivity of the Scheme's liabilities to interest rate/inflation movements. This approach mitigates interest rate risk and inflation risk.

## Appendix: Investment risks and their mitigation (continued)

### Liquidity risk

The risk that assets cannot be realised for cash when required.

Mitigation

The Trustees will invest the majority of the Scheme's investments in funds which can be realised for cash at relatively short notice without incurring high costs. However, the Trustees recognise that the Scheme's liabilities are long-term in nature and that a modest allocation to less-liquid investments may be appropriate.

The Trustees will:

- Ensure the Scheme does not hold any direct employer-related assets and that any indirect exposure is expected to be less than 5% of total assets.
- Ensure that the majority of the Scheme's investments can be realised for cash at relatively short notice without incurring high costs.