Maxi Group of Companies Retirement Benefits Scheme

Statement of Investment Principles
January 2020

Broadstone Corporate Benefits Limited is registered in England & Wales under no. 07978187.
Registered office 100 Wood Street, London EC2V 7AN

1. Introduction

This first Statement of Investment Principles (SIP) has been drawn up by the Trustees of the Maxi Group of Companies Retirement Benefits Scheme ("the Scheme") in accordance with Section 35 of the Pensions Act 1995, amended by Section 244 of the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005. The absence of any previous SIP reflects the historic anomaly of insured schemes and (same) insurer managed fund with Standard Life.

2. Decision Making Process

The Trustees

The investment of the Scheme's assets is the responsibility of the Trustees and the Scheme Rules give the Trustees broad powers on investment. There are no restrictions (however expressed) on any power to make investments by reference to the consent of the Employer.

The Trustees' policy is to seek professional advice on investment strategy. They decide on the investment strategy after considering investment advice from the Investment Consultant. The Trustees recognise that their level of investment expertise must be kept under review in order to be able to critically evaluate this advice.

The Trustees meet regularly and ensure that adequate time is set aside to discuss investment issues. In determining the investment strategy, the Trustees address the following:

- the scheme membership profile and cash flow requirements
- the need to consider a full range of asset classes;
- the risks and rewards of a range of alternative asset allocation strategies;
- the suitability of each asset class;
- the need for appropriate diversification; and
- the Scheme's Investment and Funding Objectives.

The Investment Advice

When required, the Trustees will seek professional investment advice. This will be from a suitably qualified individual who has ability in and practical experience of financial matters and who has the appropriate knowledge and experience of the management of the investments concerned.

The Employers

The Trustees will consult with Maxi Construction Limited and Maxi Haulage Limited ("the Employers") as part of the process for deciding on investment strategy.

Delegation

The Trustees have a policy of delegating all day-to-day powers of investment to the Investment Managers who are authorised and regulated under the Financial Conduct Authority.

The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled vehicles.

3. Investment Objectives

Funding Objective

The primary funding objective of the Scheme is to ensure, as far as possible, that there are sufficient assets to provide benefits to the Scheme members as and when these fall due.

Investment Objectives

The Trustees' high level objectives with regard to investing the Scheme assets are to:

- achieve a return which is sufficient over the longer term to meet the Funding Objective.
- adopt an approach that recognises the need to balance risk with the achievement of a satisfactory investment return.

Performance Objective

The Investment Manager has been set Performance Objectives to achieve returns in line with, or in excess of, a benchmark.

4. Investment Strategy

The investment strategy was most recently reviewed in December 2019.

Given their investment objectives, the Trustees have agreed the following long term strategic asset allocation:

	Strategic Asset Allocation
Managed Funds	100%
Total	**100%**

The assets are held in a pooled fund and are fully and readily realisable.

The Trustees agreed the range of funds used in the strategy taking into account the maturity of the liabilities. The Trustees are satisfied that the fund selected is consistent with their investment objectives. In future a range may be agreed to allow easy adjustment between funds as the risk appetite changes and the Scheme matures.

The Trustees may, from time to time, decide to change the funds used within the overall investment strategy and the investment allocation between the funds as alternatives emerge, funds change and the Scheme develops.

5. Cash flow and Rebalancing

Where appropriate, unless otherwise agreed from time to time, new money will normally be invested (or disinvestments required for cash flow made) on a mechanical basis to bring the asset allocation back to the benchmark strategy as far as possible.

The Trustees are mindful of the need to potentially rebalance the assets of the Scheme to reflect the liability profile and cash flow requirements. The Trustees will monitor the Scheme's underlying asset allocation on a regular basis and will decide on a course of action which may

involve redirecting cash flows, a switch of assets or taking no action, taking into account advice from the Investment Consultant.

6. Expected Return

The Trustees expect the return on assets to be consistent with the investment objective and investment strategy outlined on the previous pages.

Based on their target long-term asset allocation, the Trustees expect to generate a return of gilts+2.5% (net of expenses). This return is a 'best estimate' of future returns that has been arrived at given the Scheme's longer term asset allocation and in light of advice from the Investment Consultant.

The Trustees recognise that, over the short-term, performance may deviate significantly from this long-term expectation. The Trustees recognise the underlying volatility of the investments and expect a standard deviation of around 10-12% pa. The Trustee also recognise the intrinsic or underlying liability related nature of this return assumption. The return 'best estimate' will also generally be higher than the estimate used for the actuarial valuation of the Scheme's liabilities. For this purpose, a more prudent estimate of returns will generally be used, agreed by the Trustees on the basis of advice from the Scheme Actuary.

7. Investment Managers

Standard Life Investments Limited is the appointed Investment Manager for the Scheme and has been instructed to invest 100% of the Scheme assets in the Standard Life Managed Fund. The Investment Manager is regulated under the Financial Services and Markets Act 2000.

The Trustees have decided to invest in pooled funds because:

- the Scheme is not large enough to justify direct investment in equities or bonds on a cost-effective basis.
- pooled funds allow the Scheme 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 Investment Manager appoints individual custodians to hold the securities owned by the Scheme.

The Scheme does not invest directly in stocks, shares, bonds, derivatives etc.

8. Investment Monitoring

The Investment Manager provides the Trustees with monthly reports setting out a valuation of the funds and a quarterly commentary on performance is available.

The Investment Manager periodically attends Trustees' meetings in order to report on their activity and performance, to outline their views on future investment conditions and to answer any questions the Trustees may have.

9. Corporate Governance

The Trustees wish to encourage best practice in terms of activism. The Trustees accept that by using pooled investment vehicles, the day-to-day application of voting rights will be carried out by the Investment Manager. Consequently, the Trustees expect the Scheme's Investment Manager to adopt a voting policy that is in accordance with best industry practice.

10. Environmental, Social and Governance (ESG)

The Trustees believe that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns. The Trustees expect its Investment Manager, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the ESG integration capability of its Investment Manager.

The Trustees believe that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, it must act as a responsible asset owner. The Trustees expect its Investment Manager to exercise its ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the stewardship and engagement activity of its Investment Manager.

Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustees believe these should not drive investment decisions. The Trustees expect its Investment Manager, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG and ethical views) in relation to the selection, retention and realisation of investments.

11. Employer Related Investments

The Trustees' policy is not to hold any direct employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005.

12. Risks

The Trustees recognise that a number of risks are involved in the investment of the assets of the Scheme. They have identified the following principal risks which have the potential to cause deterioration in the Scheme's funding level:

- Solvency risk: The risk that the fund has insufficient assets to meet all its liabilities as they fall due
- Mismatching risk: The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors
- Manager risk: The failure by the Investment Manager to achieve the rates of investment return assumed
- Liquidity risk: The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities
- Custodian risk: The risk of failed or inadequate performance by the custodian
- Concentration Risk: The risk that the performance of any single investment that constituted a large proportion of the assets would disproportionately influence the overall level of assets
- Political risk: The financial risk that a country's government will suddenly change its policies. This includes events unfolding in the Eurozone and elsewhere, other government actions, geopolitical events, and socio-economic changes that can lead to social unrest

- Sponsor risk: The possibility of failure of the Scheme's sponsoring employers
- Counterparty risk: The risk that other parties in any trade or position will default, i.e. will renege on their contractual obligations, resulting in a financial loss to the Scheme.
- Currency risk: The risk associated with exposure to unexpected fluctuations in exchange rates. Fluctuations in currency values (both of the home currency and the foreign currency) can reduce the returns associated with foreign investments.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review. Some of these risks may also be modelled explicitly during the course of such reviews.

The policy of the Trustees is to monitor, where possible, these risks on a regular basis. The Trustees therefore consider:

- The actual funding level versus the Statutory Funding Objective;
- Actual performance versus the Scheme's investment and funding objectives;
- Investment Manager's performance versus their respective benchmarks and targets; and
- Any significant issues with the Investment Manager that may impact their ability to meet investment performance objectives set by the Trustees.

13. Fee Structures

The Investment Manager is paid a management fee on the basis of assets under management. The Investment Consultant is paid on a project basis which may be a fixed fee or based on time cost, as negotiated by the Trustees in the interests of obtaining best value for the Scheme.

14. Best Practice Principles

In October 2008, the Government published the results of its consultation on revisions to the Myners' principles in response to recommendations made in 2007 by the National Association of Pension Funds (NAPF) (now known as the Pensions and Lifetime Savings Association). This takes the form of six high level 'Best Practice' principles set out below, supported by best practice guidance and Trustee tools that can be used to assess compliance.

1. Effective decision-making
2. Clear objectives
3. Risk and Liabilities
4. Performance assessment
5. Responsible ownership
6. Transparency and Reporting.

The Trustees periodically review their compliance with the best practice Principles. The Trustees believe that it complies with the spirit of the Principles. There may be some instances of deviation from the published 'Best Practice Guidance' on the Principles where the Trustees believe this to be justified.

15. Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in, and experience of, financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Approved by the Trustees on 31/1/2020

Name: CATHERINE LOGAN

Signature: Catherine Logan

For and on behalf of the Trustees of the Maxi Group of Companies Retirement Benefits Scheme

Version 1 January 2020