Arighi Bianchi & Co Limited Pension Scheme
Statement of Investment Principles

July 2024

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Arighi Bianchi & Co Ltd Pension Scheme

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1. INTRODUCTION

This is the Statement of Investment Principles (SIP) adopted by Arighi Bianchi & Co Limited Pension Scheme (the Scheme) in relation to the investment of the assets of the Pension Fund (the Fund). The SIP sets out the basis of the investment strategy and objectives for the Fund.

The Trustees are required under Section 35 and Section 36 of the Pensions Act 1995 (the Act), as amended by Section 244 of the Pensions Act 2004, to formulate and disclose a SIP. The Act requires the Trustees to prepare, maintain and from time to time revise a written SIP governing decisions about the Scheme's investments. This edition of the SIP has been prepared in accordance with Regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005 and any subsequent additional regulations. It is the Trustees' intention to review this statement on a regular basis.

The Trustees are aware of the need to comply with Sections 35 and 36 of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 (the Regulations). In particular that they:-

- have obtained investment advice
- have considered at what intervals the circumstances, and the nature of investments, would make it desirable to obtain further investment advice. Accordingly, the Trustees have decided that they will seek investment advice triennially, during preparation of, or shortly after, receipt of the triennial valuation report (or earlier should scheme circumstances require)
- are aware of the penalties for failing to comply with the Pensions Act 1995 or Pensions Act 2004

Before preparing this SIP, the Trustees have:-

- consulted with Arighi Bianchi & Co Limited (the Principal Employer)
- consulted with Charles Stanley & Co Limited (Discretionary Fund Manager, known as 'Fiduciary Manager')

However, the ultimate power and responsibility for deciding investment policy lies with the Trustees.

The SIP must be made available to members but it does not have to be circulated automatically. The Trustee's annual report will explain how members may obtain a copy of the latest SIP.

The Trustees have agreed a detailed long-term de-risking investment plan, known as a Flight-Plan, with Charles Stanley Asset Management (Fiduciary Manager). The full details of this plan are documented in the scheme's Flight-Plan Outline.

The Trustees review the overall investment strategy on a **regular basis**.

The Trustees are responsible in respect of investment matters for:

a) Based on advice received from their Fiduciary Manager, Advisers and any Actuary advising the Trustees, and taking into account the liabilities of the Fund, reviewing the asset allocation, the suitability of investments and the need for diversification.

b) Appointing (and, when necessary, dismissing) Fund Managers (including the Fiduciary Manager)

c) Appointing (and, when necessary, dismissing) Independent Investment Advisers/Consultants.

d) Appointing (and, when necessary, dismissing) Actuaries.

e) Assessing the quality of the performance and processes of the Fund Managers by reviewing the performance statistics against agreed benchmarks.

The above objectives are subject to formal review by the Trustees following the completion of the actuarial valuation and review of the relative value of the assets and liabilities.

The Trustees rely on professional Fund Managers for the day-to-day management of the Fund's Assets.

The Trustees are aware of the need to comply with the Regulations, in particular, the Trustees believe that the Scheme's assets:-

- are invested in the best interest of members and beneficiaries. The Trustees are not aware of any conflict of interest that they have in investing the scheme's assets and therefore believe the assets are invested solely in the best interests of members.

- are suitable to ensure security, quality, liquidity and profitability as a whole and are reasonable.

- consist wholly of investments admitted to trading on regulated markets and are suitably diversified, as defined in the Regulations.

2. THE PRINCIPAL EMPLOYER

Before determining the Scheme's investment strategy the Trustees have consulted the Principal Employer. The Principal Employer will be consulted also if the SIP is revised. The consultations with the Principal Employer are not negotiations and the Trustee's decision is final. The Principal Employer does however fund the Scheme and therefore the Trustees consider it important for the Principal Employer to be kept informed.

All investment decisions for the Fund are under the Trustees control with no constraint from the Principal Employer.

3. INVESTMENT OBJECTIVES

It is the policy that external fund managers are employed to administer the Fund's assets. The appointed manager(s) may vary from time to time depending upon various underlying factors.

3.1 **The investment objective for the Fund is**:

To ensure that sufficient assets are available to meet liabilities of the Scheme as they fall due.

To minimise periods when the Scheme is in deficit and to achieve and maintain a position of being at least 100% funded on a Scheme Specific Funding Objective, (Technical Provisions) basis.

To aim for self-sufficiency on an ongoing basis.

It is accepted that at different times within the economic cycle, acceptable levels of risk may change according to market conditions. However the Trustees would like to adopt a reasonably balanced attitude to investment on both a short and long run basis.

A related objective is to minimise the volatility of employer contribution rates as investment returns vary from year to year.

3.2 Investment ranges

The Trustees have adopted a long-term Flight-Plan designed to move the scheme towards its objective of being 100% funded on a self-sufficiency basis.

The anticipated exposure to Growth and Matching assets at different Stages of the Flight-Plan is documented and subject to ongoing review by the Trustees and the Fiduciary Manager.

The Trustees have given the Fiduciary Manager discretion to change the growth assets of the total portfolio within the following Risk Budget.

	Risk Budget – Medium Risk
Growth Assets	5%-10% volatility

Growth assets are defined as equities, property, alternatives and bonds (other than bonds used for 'matching assets')

The Trustees have given the Fiduciary Manager discretion to manage the Scheme's matching assets, according to the Flight-Plan above.

Matching assets are defined as bonds or Liability-Driven Investment funds.

The Trustees have given the Fiduciary Manager discretion to manage the Scheme's overall balance between growth and matching assets according to the Flight-Plan schedule.

If the Fiduciary Manager believes that these have become inappropriate this will be raised for discussion with the Trustees.

The Fiduciary Manager will keep the Trustees up-to-date with the portfolio asset allocation, making available a 'look-through' analysis detailing overall exposures by geographic region and asset type.

3.3 Risk Management

The Trustee is aware that there are various risks relating to the pension scheme. These are:

a) The risk that the investment Fund Managers will not achieve the expected rate of investment return. The Fund is exposed to market fluctuations and may rise or fall depending upon various economic conditions.

The Scheme is currently (at the date of this statement) subject to a Deficit Recovery plan.

The Trustee is prepared to accept a certain level of investment risk with the pension scheme funds in order to reach their investment objective. The

Trustees will monitor the performance of the Fund Manager(s) regularly to minimise this risk relative to the agreed benchmark(s) set.

b) The risk of deterioration in the funding level of the Fund.

c) The risks posed by a lack of diversification of asset class and holding of assets that are closely correlated in terms of performance influences.

d) The risks deriving from holding assets that perform differently to the liabilities for which they are held.

e) The currency risks deriving from exposure to overseas assets.

f) Risk definitions:

- Risk is relative to the liabilities of the scheme at any point in time.
- Cash flow risk – the need to have sufficient cash to meet immediate liabilities.
- Mortality risk – that future improvements in mortality will continue and hence increase the liabilities of the scheme.
- Inflation risk.

The investment objective of the Fund is to achieve agreed returns within a risk-managed framework, achieved by asset allocation and stock selection by the Fiduciary Manager.

4. TYPES OF INVESTMENT TO BE HELD

A management agreement is in place for the Fund Manager, setting out the benchmark, performance target and asset allocation. The types of investment class the Fund Manager may hold from time to time are as follows:

- UK Equities
- Overseas Equities
- UK Fixed Interest Bonds
- Overseas Fixed Interest Bonds
- UK Index-Linked Investments
- Overseas Index-Linked Investments
- Property Funds
- Investment Trusts
- Structured Products*
- Fund of Hedge Funds*
- Derivatives*
- Cash Instruments
- Exchange Traded Funds
- Index Tracking Funds

- Commodities
- Liability-Driven Investment Funds
- Infrastructure Funds
- Other Alternative Investment Funds

**It is not the Trustees current intention to hold these funds directly, however they may be held in the future by a fund manager as part of a diversified pooled portfolio.*

5. APPROACH TO MANAGING THE PORTFOLIO

The overall investment portfolio will be reviewed by the Trustees. The individual funds however, will be managed on a discretionary basis by the Fiduciary Manager. The Fiduciary Manager will report at least on an annual basis. They will review and report the current asset allocation position against the Trustees investment strategy.

The Trustees have given consideration to the investment management of the scheme and whether it should be managed on a passive or an active basis.

Passive management aims to create a portfolio of funds / assets, which mirror a market index.

Active management uses analytical research, forecasts, experience and manager judgement when deciding which investments to hold in a portfolio.

The Trustee has opted for management which combines active asset allocation implemented using passive and active funds for the scheme's investments.

Selection of funds and due diligence is delegated to the Fiduciary Manager.

Criteria for Dismissal

The Fiduciary Manager may be replaced if:

a) They fail to meet the performance targets.

b) The Trustee believes that the manager is not capable of achieving these performance objectives in the future; and/or

c) They fail to maintain satisfactory standards in respect of other criteria as determined by the Trustees.

6. DIVERSIFICATION OF ASSET CLASSES

This may be considered in terms of ensuring, that investments are spread through a number of asset classes whose movements are not closely correlated. The Trustees are satisfied in this matter.

7. EXPECTED RETURN ON INVESTMENTS

The portfolio is expected to produce a return over the medium term, at least equal to the investment return assumed in the valuation of liabilities in the actuarial valuation. Currently, the scheme assets are managed on both an active and passive basis. Overall, the Funds are expected to at least reach the investment

return envisaged by the Deficit Recovery plan over the long term. Full details of 'best estimate' expected returns at each stage in the de-risking plan are contained in the Flight-Plan Outline document.

8. THE REALISATION OF INVESTMENTS

The Fiduciary Manager is required to maintain portfolios that consists of assets that are readily realisable to ensure assets are available to settle member's benefits. Currently, the scheme is invested predominately in passive funds which can be dealt on a daily basis.

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) POLICY – INCLUDING CLIMATE CHANGE

The Trustees believe that environmental, social and governance (ESG) factors (including climate change) can have a financially material impact on the Scheme's investments and, as such, must be considered by the scheme's investment manager.

Specific decisions regarding the financial materiality of ESG and climate change factors are delegated to Charles Stanley, acting as Fiduciary Manager. Charles Stanley is expected to consider the impact of ESG factors including climate change on the potential performance of the scheme's investments, particularly over the medium and long term, also taking into account the long-term nature of the scheme's liabilities.

Charles Stanley is a signatory of the United Nation's Principles for Responsible Investment (PRI). Charles Stanley has a duty to act in the best long-term interests of beneficiaries, and in this fiduciary role Charles Stanley believes that environmental, social, and corporate governance (ESG) issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions and asset classes over a period of time). Charles Stanley also recognises that applying these Principles may better align investors with broader objectives of society.

Charles Stanley Asset Management's asset allocation analysis takes account of material ESG issues as they affect the broad market or sectors that the scheme is exposed to. Stock specific ESG factors are assessed where they are material to a market/index. Any fund or investment selected by Charles Stanley Asset Management's investment team will have been assessed for its approach to ESG factors as appropriate for the asset class and style.

The Trustees require that the Fiduciary Manager should provide a report at least annually outlining the extent to which the Scheme's investments are exposed to significant ESG factors, including climate change.

10. STEWARDSHIP POLICY – INCLUDING ENGAGEMENT, VOTING AND EXERCISE OF RIGHTS

The Trustees believe that, where appropriate, the voting rights pertaining to the scheme's investments should be deployed in order to seek to improve the medium and long-term performance of companies, in particular where the Scheme is a debt or equity shareholder.

The Trustees acknowledge that stewardship can also include direct engagement with an investee or debtor company, indirect engagement via an investment

manager, 'peer-to-peer' engagement with fellow shareholders of an investee company, and any engagement with other stakeholders, on any relevant matters such as matters concerning the investee or debtor entity, including performance, strategy, risks, social and environmental impact, corporate governance, capital structure and management of actual or potential conflicts of interest.

The Trustees believe that, where appropriate, such engagement activity has the potential to improve the medium and long-term performance of underlying investments.

Decisions regarding the specific exercise of rights (including voting rights) are delegated to the Fiduciary Manager. The Fiduciary Manager's policy states that "We believe voting is an effective method of engagement. We use the services of proxy voting service provider Institutional Shareholder Services (ISS) to advise us on corporate governance issues and provide voting recommendations on our top 100 holdings of equity and fund securities."

The Trustees expect that the majority of investments will be deployed via pooled funds. As a result, the Trustees expect the Fiduciary Manager to be mindful of the engagement and voting policy of underlying pooled Fund Managers when selecting them and to report these policies to the Trustees upon request.

Where voting rights are held directly, the Trustees delegate the exercise of voting right to the Fiduciary Manager and expect a report on any voting or engagement activity to be provided at least annually or upon request.

11. POLICIES IN RELATION TO THE TRUSTEES' ARRANGEMENT WITH THEIR FIDUCIARY MANAGER

The Fiduciary Manager is expected to ensure the investment strategy is in line with the Trustees' policies, including assessing the potential medium and long-term financial and non-financial factors impacting performance of investments. No explicit financial incentives are in place, however performance against a wide range of agreed objectives is monitored with the ability of the Trustees to replace the Fiduciary Manager at any time should the Trustees become materially unsatisfied with the fiduciary service received.

The objectives monitored are set out in the document Investment Objectives Scorecard dated October 2023 and reviewed on an annual basis. As a result, at least annually, the Trustees will review the Fiduciary Manager against this wide-ranging set of agreed objectives.

The Fiduciary Manager is not required to engage directly with issuers of debt and equity given the multi-asset, predominantly pooled index-fund approach of the underlying investment strategy.

Underlying portfolio costs are monitored at least annually on an OCF+ methodology basis. As the investments are expected to be predominantly pooled funds the Trustees believe that this methodology will capture the majority of underlying transaction costs.

The Fiduciary Manager can be required to declare any other portfolio turnover levels and costs ('implicit costs') at any time. No ranges are provided to the Fiduciary Manager for these implicit costs. Explicit fees and costs are expected to be detailed by the Fiduciary Manager in regular statements.

The appointment of the Fiduciary Manager is on an ongoing basis and would be expected to be reviewed every three years.

12. COMPLIANCE WITH AND REVIEW OF THIS STATEMENT

12.1 The Trustees will:

a) Review this Statement in response to any material change to any aspect of the investment arrangements detailed above in conjunction with their Advisers and Fiduciary Manager. This review will occur no less frequently than every three years to coincide with the Actuarial Valuation. Any such review will again be based on written, expert investment advice and will be in consultation with the Principal Employer.

b) Review the investment performance of the portfolio on a quarterly basis.

c) Keep under review the suitability of each Investment Manager and custodian.

d) Keep under review and monitor the relative fees levied by their Advisors and Fiduciary Manager.

e) Note compliance with this Statement at a Trustees meeting, no less frequently than annually.

f) Make a copy of this Statement available for inspection by Scheme members on request.

12.2 Regular investment reports which will be presented to the Trustees. This correspondence will include:

a) A review of recent performance and of the Fiduciary Manager's proposed stance for the future, including a summary of how the Fiduciary Manager has managed short-term asset allocation relative to the Scheme's long-term investment objective.

b) Any changes at either the Fiduciary Manager or custodian which might affect the suitability of the Fiduciary Manager to manage the Scheme's assets.

12.3 The custodian will supply a statement, at least annually, to the effect that all dividends and interest payments (and tax repayments) due to the Scheme have been collected and all transactions settled in a timely manner. Exceptions should be highlighted.

13. COMPLIANCE WITH THE MYNERS REPORT RECOMMENDATIONS

In the SIP, the extent to which the scheme complies with the ten investment principles set out in the Myners report on Institutional Investment, is laid out in the following table, which forms Appendix 'A' of this statement:

Signed on behalf of the Trustees of Arighi Bianchi & Co Limited Pension Scheme

Signed:…… Date:……

Signed:…… Date:……

APPENDIX 'A'

Principle	Recommendation	Comments
Principle 1: Effective decision-making	Trustees are asked to consider critically their collective capacity to take decisions and what skills, information and resources they need to support them in their tasks.	**Full Compliance. Strategic decisions have been taken by the Trustees on the long-term de-risking Flight-Plan based on advice from the Fiduciary Manager and Actuary. Each Trustee has received formal training on their Trustee responsibilities.**
Principle 2: Clear Objectives	The scheme should demonstrate it has set investment objectives related to its liabilities and future expected contributions and its maturity profile.	**Full Compliance. Based on an assessment of the fund against its liabilities and market conditions.**
Principle 3: Focus on Asset Allocation	Myners encourages schemes "to consider all asset classes". All asset classes permitted within the regulations are considered and should be compatible with liabilities and the need for diversification.	**Full Compliance. All asset classes have been considered in line with the SIP and Flight-Plan Outline by the Fiduciary Manager.**
Principle 4: Expert Advice	The schemes should consider whether separate tenders for actuarial and investment consultant services should be obtained.	**Full Compliance. Actuarial and investment consultant services are provided by different organisations.**
Principle 5: Explicit Mandates	The principle requires schemes to set explicit written mandates for investment managers against which they should be judged. The principle also requests schemes to understand the cost of transactions. Schemes should not allow "soft" commissions.	**Full Compliance. Investment objectives, benchmarks, risk profile and asset classes have been agreed with the Fiduciary Manager.** **Full Compliance. No commissions are incurred through transactions.**
Principle 6: Activism	The Government is considering legislation to impose an express statutory duty to use	**Full Compliance. The Fund does not hold any underlying securities directly.**

	shareholder activism in line with the US Department of Labour Interpretative Bulletin.	
Principle 7: Appropriate Benchmarks	Explicitly consider, in consultation with their investment manager(s), whether the benchmarks they have selected are appropriate. Consider explicitly for each asset class invested, whether active or passive management would be more appropriate given the efficiency, liquidity and level of transaction costs in the market concerned. Where they believe active management has the potential to achieve higher return, set both targets and risk controls that reflect this, giving the managers the freedom to pursue genuinely active strategies.	**Full Compliance.** **Benchmarks have been set for Growth and Matching elements of the portfolio separately with the Fiduciary Manager.** **The Trustees delegate selection of active or passive strategies to the Fiduciary Manager.** **An active approach is taken to asset allocation. The primary control is the Risk Budget. Boundaries may also be imposed.**
Principle 8: Performance Measurement	Trustees should arrange for measurement of the performance of the fund and make formal assessment of their own procedures and decisions as Trustees. They should also arrange for a formal assessment of performance and decision-making delegated to advisers and managers.	**Full compliance. The Trustees meet on a regular basis (at Trustee meetings) with the Fiduciary Manager to review the performance of the fund and to discuss future objectives in light of the liabilities of the scheme.**
Principle 9: Transparency	The statement of investment principles looks at decision-making, the investment objective, asset allocation including projected investment returns on each asset class and how the strategy has been arrived at. This should also include the fee structure for advisers and managers.	**Full Compliance. The Trustees have signed a fee agreement with the Fiduciary Manager.**
Principle 10: Regular Reporting	Trustees should publish their Statement of Investment Principles and	**Full Compliance. The SIP and Implementation Statement (confirming how the investment**

	the results of their monitoring of advisers and managers. They should send key information from these annually to members of the scheme, including an explanation of why the Fund has chosen to depart from any of these Principles.	**principles, objectives and policies of the SIP have been implemented on an annual basis) are published on a publicly available website. The Annual Trustee Report and financial statements contains details of how members can access the SIP. A summary of the Scheme investments and details of how the SIP may be accessed are also included in the Summary Funding Statement which is sent to Scheme members on an annual basis.**