Whyte & Mackay Pension Scheme

Statement of Investment Principles ("SIP")

Purpose of this Statement

This SIP has been prepared by the Trustees of the Whyte & Mackay Pension Scheme (the "Scheme"). This statement sets out the principles governing the Trustees' decisions to invest the assets of the Scheme.

The Scheme's investment strategy is derived from the Trustees' investment objectives. The objectives have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

Details on the Scheme's investment arrangements are set out in Appendix C.

Governance

The Trustees of the Scheme make all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of investment managers.

When making such decisions, and when appropriate, the Trustees take proper written advice. The Trustees' investment advisers, Isio Group Limited, are qualified by their ability in, and practical experience, of financial matters, and have the appropriate knowledge and experience. The investment advisers' remuneration may be a fixed fee or based on time worked, as negotiated by the Trustees in the interests of obtaining best value for the Scheme.

Investment Objectives

The Trustees invest the assets of the Scheme with the aim of ensuring that all members' current and future benefits can be paid. The Scheme's funding position will be reviewed on an ongoing basis to assess the position relative to the funding target and whether the investment arrangements remain appropriate to the Scheme's circumstances. The Scheme's funding target is specified in the Statement of Funding Principles.

The Scheme's present investment objective is to achieve a return of 1.7% per annum above the return on a liability matching portfolio of UK Government bonds.

Investment Strategy

The Trustees take a holistic approach to considering and managing risks when formulating the Scheme's investment strategy.

The Scheme's investment strategy was derived following careful consideration of the factors set out in Appendix B. The considerations include the nature and duration of the Scheme's liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of employer contributions required to fund the Scheme, and also the strength of the sponsoring company's covenant. The Trustees considered the merits of a range of asset classes.

The Trustees recognise that the investment strategy is subject to risks, in particular the risk of a mismatch between the performance of the assets and the calculated present value of the liabilities. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. This risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities.

The assets of the Scheme consist predominantly of investments which are traded on regulated markets.

Investment Management Arrangements

The Trustees have appointed several investment managers to manage the assets of the Scheme as listed in the Appendix C. The investment managers are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the investment managers via a written agreement. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustees take investment managers' policies into account when selecting and monitoring managers. The Trustees also take into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise powers of investment delegated to them, with a view to following the principles contained within this statement, so far as is reasonably practicable.

As the Scheme's assets are invested in pooled vehicles, the custody of the holdings is arranged by the investment manager.

Investment Manager Monitoring and Engagement

The Trustees monitor and engage with the Scheme's investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustees seek to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy and Risk	• The Trustees receive three performance reports each year. This is as follows: - 1 x semi-annual report - 2 x quarterly report • These reports detail information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant Trustee meeting. • This will be a specific factor considered as part of the manger selection process.	• There are significant changes made to the investment strategy. • The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustees' expectations. • Underperformance vs the performance objective over the period that this objective applies.
Environmental, Social, Corporate Governance factors	• See Appendix D.	• See Appendix D.

Through the engagement described above, the Trustees will work with the investment managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustees will review the relevant investment manager's appointment and will consider terminating the arrangement.

Employer-related Investments

The policy of the Trustees is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Scheme invests in collective investment schemes that may hold employer-related investments. In this case, the total exposure to employer-related investments will not exceed 5% of the Scheme's total asset value. The Trustees will monitor this on an ongoing basis to ensure compliance.

Direct Investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustees will obtain appropriate written advice from their investment advisers.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustees consulted the sponsoring company and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

Cashflow Management Policy

The Trustees will typically make disinvesments to meet cashflow requirements from cash and cash-like investments held by the Scheme, but the Trustees will confirm this is appropriate on a case by case basis and have the flexibility to disinvest from other assets if they deem this more appropriate at the time.

Leverage and Collateral Management Framework

The Trustees adhere to all relevant regulatory guidance and requirements in relation to leverage and collateral management within the Scheme's liability hedging portfolio.

The Trustees have a stated collateral management policy. The Trustees have agreed a process for meeting collateral calls should these be made by the Scheme's Liability Driven Investment ("LDI") manager. The Trustees will review and stress this policy on a regular basis.

Further details on this can be found in Appendix F.

Signed: ***Trustees of the Whyte and Mackay Pension Scheme***

Date: ***March 2025***

Appendix A – Investment Beliefs

1. Investment strategy is the most important decision and should be based on clear objectives

Our long-term goal is to generate returns required to fund our members' current and future pensions.

Clear objectives are at the heart of our investment strategy. Risk tolerance, return requirement and time frame are our central considerations.

Our strategy should aim to achieve the objectives with a high degree of confidence across a range of possible economic scenarios.

2 There is more to robust portfolio construction than diversification alone

Excessive diversification can introduce inefficiency, cost, and fail to protect our portfolio in a downturn.

Pay-off profile of assets: We tailor the expected pay-off profile of the Scheme's investments around our required objectives.

***Excess liquidity of our Scheme*:** We utilise excess liquidity in order to access any illiquidity premium (when illiquidity is rewarded), taking into consideration known cash flow requirements and the need for flexibility.

***True diversification*:** We optimise true diversification of underlying risk drivers.

3 We aim to select the most appropriate opportunities in the market

A strategy that buys the right asset, at a fair price, will serve us better than buying the wrong asset at a cheap price.

We consider the most appropriate potential market opportunities in order to help us achieve our long-term objectives.

4 A medium-term mind-set can be used to enhance returns

As a medium-term investor we pursue incremental growth that rewards adherence to our strategic plan, rather than pursuing short term opportunities rewarding speculation.

We will mitigate or manage risks that we are not rewarded for.

Returns are more predictable over a longer time period, as risk is diversified across different economic cycles.

5 Excessive costs will erode performance

An appealing investment opportunity can be wholly undermined by too high a cost base.

Passive management, where viable, is considered the default approach.

Active management is employed where value-add can be expected with confidence.

6 Good governance improves our decision making

We continuously strive to enhance our knowledge of the investment opportunities and risks facing the Scheme.

We monitor the performance of our strategy and investment managers to improve our decision making.

7 Our investment process reflects our beliefs on responsible investing and Stewardship

We consider environmental, social and corporate governance factors when selecting, monitoring and engaging in the investments we make. Our ESG specific investment beliefs are set out in Appendix D.

Appendix B – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustees have considered and sought to manage is shown below.

The Trustees adopt an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	Definition	Policy
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	• Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength. • Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	• Funding risk is considered as part of the investment strategy review and the actuarial valuation. • The Trustees will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	• When developing the Scheme's investment and funding objectives, the Trustees take account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support.

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	The Trustees will seek to hedge 100% of this risk and to increase the level of hedging in line with the Scheme's funding level (as measured on a Technical Provisions basis) if this is higher.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.

Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.
Credit	Default on payments due as part of a financial security contract.	To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.
Environmental, Social and Governance	See Appendix D.	See Appendix D.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Mitigate currency risk where applicable to minimise the impact of fluctuating exchange rates.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix C

Strategic asset allocation split by fund manager:

Fund Manager	%	Asset Class	Manager Benchmark
M&G	20.0	Multi-asset Credit	SONIA
Partners Group	15.0	Direct Lending	SONIA
LGIM	10.0	Corporate Bonds	Markit iBoxx Sterling Non-Gilts (ex-BBB) Over 15 Year Index
	12.5	Absolute Return Bonds	SONIA
	12.5	Asset-Backed Securities	SONIA
	30.0	Liability Driven Investment ("LDI")	The allocation is managed on a passive basis, whereby the objective is to match, rather than exceed the performance of the nominated liability-based benchmark.
Total	**100.0**		

Notes:

- The Scheme has a legacy holding to a Balanced Property Fund managed by CBRE which is in the process of winding down and returning capital as underlying assets are realised. Therefore, while not part of the strategic asset allocation, the Scheme is expected to hold assets in the Fund until it has fully returned capital.

Asset split by asset class:

Asset Class	Strategic Benchmark (%)	Expected Return[1] (%)
Multi-asset Credit	20.0	Gilts + 2.6%
Direct Lending	15.0	Gilts + 4.2%
Corporate Bonds	10.0	Gilts + 0.4%
Absolute Return Bonds	12.5	Gilts + 1.5%
Asset-Backed Securities	12.5	Gilts + 1.0%
LDI	30.0	Gilts
Total	**100.0**	**Gilts + 1.7%**

Totals may not sum due to rounding. [1] Expected return assumptions are based on Isio's central (best estimate) assumptions as at 31 December 2024.

Appendix D – Environmental, Social and Governance Considerations

The Trustees' investment of Scheme assets through pooled funds has the practical result that the Trustees cannot themselves directly influence the ESG policies and practices of the companies in which the pooled funds invest. However, the Trustees do take into account ESG factors (including climate change risks) in relation to the selection, retention and realisation of investments.

The Trustees take those factors into account in the selection, retention and realisation of investments as follows:

- Selection of investments: assess the investment managers' ESG integration credentials and capabilities, including stewardship, as part of the manager selection process as well as through other regular reporting channels.
- Retention of investments: Developing a robust monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.
- Realisation of investments: The Trustees will take ESG considerations into account regarding decisions on realisation of investments.

The Trustees will also take those factors into account as part of its investment process to determine a strategic asset allocation, and consider them as part of ongoing reviews of the Scheme's investments.

The Trustees will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

- The Trustees will obtain regular training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
- As part of ongoing monitoring of the Scheme's investment managers, the Trustees will use any ESG ratings information available within the pensions industry or provided by their investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and
- Through their investment consultant the Trustees will request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.

Stewardship

The Trustees' policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustees' behalf. In doing so, the Trustees expect that the investment managers will use their influence as major institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustees will monitor and engage with the investment managers about relevant matters (including business performance, strategy, capital structure, management of conflicts of interest, ESG and corporate governance matters), through the Scheme's investment consultant.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustees will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustees will, through the Scheme's investment consultant, engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council’s UK Stewardship Code.

Appendx E - Policy on Investment Manager Arrangements

The Trustees have the following policies in relation to the investment management arrangements for the Scheme:

How the investment managers are incentivised to align their investment strategy and decisions with the Trustees policies.	As the Scheme is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustees policies. However, the Trustees invest in a portfolio of pooled funds that are aligned to the strategic objective.
How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.	The Trustees review the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. The Trustees monitor the investment managers' engagement and voting activity on an annual basis as part of their ESG monitoring process. The Trustees do not incentivise the investment managers to make decisions based on non-financial performance.
How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustees policies.	The Trustees review the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. The Trustees evaluate performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years. Investment manager fees are reviewed over time to make sure they remain competitive.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	The Trustees do not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
The duration of the Scheme's arrangements with the investment managers	The duration of the arrangements is considered in the context of the type of fund the Scheme invests in. • For closed ended funds or funds with a lock-in period the Trustees ensure the timeframe of the investment or lock-in is in line with the Trustees objectives and Scheme's liquidity requirements. • For open ended funds, the duration is flexible and the Trustees will from time-to-

	time consider the appropriateness of these investments and whether they should continue to be held.
Voting Policy - How the Trustees expect investment managers to vote on their behalf	The Trustees have acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.
Engagement Policy - How the Trustees will engage with investment managers, direct assets and others about 'relevant matters'	The Trustees have acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf. The Trustees, via their investment advisers, will engage with managers about 'relevant matters' at least annually, in line with the production of the Scheme's Implementation Statement.

Appendix F – Collateral Management Policy

At the time of writing, the Trustees are targeting a level of collateral sufficient to withstand (at least) one collateral call from each of the Scheme's LDI Funds.

The Trustees will review this no less frequently than annually, or as soon as possible in the event of significant market movements.

The Trustees also adopt a framework for maintaining sufficient collateral levels.

Trigger	Action	Responsibility
Pooled LDI fund issues capital call.	Assets sold from below collateral waterfall to meet capital call (Asset-Backed Securities & Absolute Return Bonds).	LDI manager.
When collateral held within collateral waterfall is insufficient to meet one collateral call from each of the Scheme's LDI Funds.	Discussion on rebalancing nominated source of collateral, if possible, as well as discussions to confirm if Trustees are comfortable with level of hedging.	Trustees responsible for monitoring and implementing. Any discussions will involve the Trustees with input from Isio.

The latest collateral waterfall is set out below. Assets held within the immediate collateral framework (Tier 1 & 2) with the same manager as the LDI mandate are shown in bold. The LDI manager has been given discretion to source collateral from these funds when required without further instruction from the Trustees.

Manager	Asset Class	Dealing frequency	Notice period	Settlement period
LDI manager	**Asset-Backed Securities**	**Weekly***	**T-2 (before 12pm)**	**T+2**
LDI manager	**Absolute Return Bonds**	**Weekly***	**T-2 (before 12pm)**	**T+2**
Non-LDI manager	Multi-asset Credit	Daily	T (before 11am)	T+2

*Weekly dealing is consistent with the dealing frequency of the LGIM LDI portfolio.