

Statement of Investment Principles

Introduction

This is the Statement of Investment Principles made by the Trustees of the Turner & Co. (Glasgow) Limited Retirement Benefits Scheme ("the Scheme") in accordance with the Pensions Act 1995 ("the Act") as amended by the Pensions Act 2004 and subsequent regulations. It is subject to periodic review by the Trustees at least every three years and after any significant change in investment policy.

In preparing this Statement, the Trustees consulted with the principle employer to the Scheme (Turner & Co. (Glasgow) Limited) and have taken and considered written advice from the Investment Practice of Hymans Robertson LLP ("Hymans").

Scheme Objective

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis.

The Trustees' over-riding funding principle is to ensure funding plans remain at a level which is sufficient:

- To ensure that there are always sufficient assets of the Scheme (at their realisable value) to meet 100% of benefits as they fall due for payments to members.

The value of liabilities is calculated on the basis agreed by the Trustees and the Scheme Actuary. The funding position is monitored regularly by the Trustees and formally reviewed at each triennial actuarial valuation, or more frequently as required by the Pensions Act 2004.

Investment Strategy

The Trustees have translated their objectives into a suitable strategic asset allocation benchmark for the Scheme. All day to day investment decisions have been delegated to an authorised investment manager. The strategic benchmark is reflected in the choice and mix of funds in which the Scheme invests.

The investment strategy takes due account of the maturity profile of the Scheme (in terms of the relative proportions of liabilities in respect of pensioners and non-pensioners), together with the level of disclosed surplus or deficit (relative to the funding bases used) and the Trustees' assessment of the covenant of the sponsoring employer.

The Trustees monitor fund performance. In reviewing strategy, the Trustees will seek written advice as required.

To achieve their objectives the Trustees have agreed the following:-

Choosing Investments

The Trustees will appoint one or more investment managers who are authorised under the Financial Services and Markets Act 2000 to undertake investment business. The Trustees, after seeking appropriate investment advice, have given the managers specific directions as to the asset allocation. but investment choice has been delegated to these managers subject to their respective benchmarks and asset guidelines.

Given the size and nature of their scheme, the Trustees have decided to invest on a pooled fund basis; any such investment is effected through an insurance contract. The investment manager of each underlying pooled fund has full discretion over the choice of individual stocks. The Trustees are satisfied that the pooled funds selected are consistent with the objectives of the Scheme, particularly in relation to diversification, risk, expected return and liquidity.

Kind of Investments to be held

The Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, alternative credit, cash, property, either directly or through pooled funds. The Scheme may also invest in insurance policies. The Scheme may also make use of derivatives and contracts for difference (either directly or in pooled funds investing in these products) for the purpose of efficient portfolio management or to hedge specific risks. The Trustees consider insurance policies, fixed interest and index linked bonds and cash suitable in the current circumstances of the Scheme.

Balance between different kinds of investments

The Scheme's investment managers will hold a mix of investments reflecting the strategic benchmark set by the Trustees. The majority of the Scheme's assets are now held in a number of insurance policies in relation to members.

Risk

The Scheme is exposed to a number of risks which pose a threat to meeting its objectives. The principal risks affecting the Scheme are:

Funding risks:

- Financial mismatch – 1. The risk that Scheme assets fail to grow in line with the developing cost of meeting Scheme liabilities. 2. The risk that unexpected inflation increases the pension and benefit payments and Scheme assets do not grow fast enough to meet the increased cost.
- Changing demographics – The risk that longevity improves and other demographic factors change increasing the cost of Scheme benefits.
- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting Scheme liabilities.
- Insurance regime risk – the risk of a complete failure within the UK insurance sector impacting the ability of insurers to meet their obligations under the insurance policies held by the Scheme

The Trustees measure and manage financial mismatch in two ways. As indicated above, they have set a strategic asset allocation benchmark for the Scheme. They assess risk relative to that benchmark by monitoring the Scheme's asset allocation and investment returns relative to the benchmark. They also assess risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

The Trustees keep under review mortality and other demographic assumptions which could influence the cost of the benefits. These assumptions are considered formally at the triennial valuation.

The Trustees seek to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

The Trustees consider the credit ratings of the insurance companies they are exposed to but are also protected by the reserving requirements and stress testing put in place under the UK insurance sector.

Asset risks:

- Concentration - The risk that significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity - The risk that the Scheme cannot meet its immediate liabilities because it has insufficient liquid assets.
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.
- Environmental, Social and Governance (ESG) risks – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.
- Climate risk - The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

The Trustees measure and manage asset risks as follows. They provide a practical constraint on Scheme investments deviating greatly from the intended approach by setting diversification guidelines and by investing in a range of pooled funds each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrain risk within the Trustees' expected parameters. By investing across a range of assets, insurance policies, bonds and cash, the Trustees have recognised the need for some access to liquidity in the short term.

The Trustees consider the risk of manager concentration and the risk of appointing one manager for individual assets classes which the Trustees accept as a reasonable compromise given the size and composition of the portfolio.

The Trustee's approach to the consideration of ESG risks and climate risk is set out in further detail below.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets.. When carrying out significant transitions, the Trustees take professional advice and consider the appointment of specialist transition managers.
- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.

The Trustees monitor and manage risks in these areas through a process of regular scrutiny of its providers.

Realisation of investments

All of the Scheme's investments in respect of non-insured benefits may be realised quickly if required. The Scheme also holds insurance policies in respect of its members. However, these are considered out-with the central investment strategy.

Consideration of financially material factors in investment arrangements

The Trustees recognise that a number of factors, including environmental, social and governance (ESG) factors create uncertainty in the future returns that may be achieved from their investment strategy. In framing their strategic asset allocation, the Trustees have considered market level assumptions which reflect the combined impact of all operational factors, including ESG factors, on the risk and return from a particular asset class.

The Trustees expect their investment manager to take all financially material factors into account where relevant and the terms of the mandate permit.

In appointing new investment managers, the Trustees will explicitly consider the managers' ability to integrate the consideration of ESG factors within their investment process. The Trustees will also periodically review their investment managers and seek evidence that managers are meeting the Trustees expectations.

The Trustees recognise that climate change poses a long-term systemic risk which could affect the returns achieved from their investment strategy. The Trustees have not made explicit allowance for climate change in framing their strategic asset allocation.

Strategic considerations

The strategic benchmark has been determined using appropriate economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors.

Given the inherent uncertainty, the Trustees have not made explicit allowance for the risks of climate change in setting their strategic benchmark.

Structural considerations

Given the discretion afforded to the Investment Manager, the Trustee expects that the Investment Manager will take account of all financially material factors including the potential impact of ESG factors in the implementation of their mandate.

Selecting investment managers

In passive mandates, the Trustees recognise that the choice of benchmark dictates the assets held by the investment manager and that the manager has minimal freedom to take account of factors that may be deemed to be financially material. The Trustees accept that the role of the passive manager is to deliver returns in line with the benchmark and believe this approach is in line with the basis on which their current strategy has been set. The Trustees will review the index benchmarks employed for the Scheme on at least a triennial basis.

In selecting new investment managers for the Scheme, where relevant to the investment mandate, the Trustees explicitly considers potential managers' approach to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision making.

Consideration of non-financially material factors in investment arrangements

There are no exclusions or restrictions applied to investment arrangements based on non-financially material factors.

Stewardship & Engagement

The manager is challenged on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

The Trustees will review the reporting provided by their investment manager on an annual basis and will, if appropriate, request the disclosure of additional information if it will assist the Trustees in their monitoring of manager or falls in line with evolving best practice. The Trustees have also requested that their investment adviser provide an annual ESG assessment of their investment strategy and appointed manager.

Additional voluntary contributions (AVCs)

The Trustees give members the opportunity to invest in a range of vehicles at the members' discretion. The objective of the Scheme's AVC arrangement is to offer members of the Scheme the chance to increase their income in retirement by making additional contributions in addition to those they are making into the Scheme.

Signed for and on behalf of the Trustees of the Turner & Co. (Glasgow) Limited Retirement Benefits Scheme



Trustee



Trustee