HOLOPHANE RETIREMENT BENEFITS SCHEME

STATEMENT OF INVESTMENT PRINCIPLES

JANUARY 2025

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1 INTRODUCTION

This Statement of Investment Principles ("the Statement") has been prepared by the Trustees of the Holophane Retirement Benefits Scheme ("the Scheme") in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Scheme and the activities undertaken by the Trustees to ensure the effective implementation of these principles.

In preparing the Statement, the Trustees have:

- Obtained and considered written advice from a suitably qualified individual, employed by their investment adviser, Mercer Limited ("Mercer"), whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- Consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustees' investment policy for the Scheme.

The Trustees will review the Statement formally at least every three years to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. Furthermore, the Trustees will review the Statement without delay after any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

2 INVESTMENT OBJECTIVES

The Trustees wish to ensure that they can meet their obligations to the beneficiaries both in the short and long term. With this in mind the Trustees primary objective is to identify and implement an investment strategy that maximises the probability of meeting the obligations to the beneficiaries of the Scheme.

The Trustees have also received confirmation from the Scheme Actuary during the process of revising the investment strategy that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

The investment objective for the Scheme has evolved following a significant improvement in the level of funding over 2023 combined with a significant contribution paid to the Scheme by the Sponsoring Employer. As such, the Trustees have determined that there is no longer a requirement to take material investment risk relative to the liabilities.

Over 2024 the Trustees implemented de-risking activity with the aim to secure the accrued member benefits with an insurer (i.e. through a ‘buy-in’ contract). In December 2024, the Trustees secured this objective by investing the Scheme’s assets with an insurance company (PIC). The buy-in policy covers accrued DB benefits for all members. Under this policy, PIC are responsible for meeting the pensions payable to the Scheme’s deferred and current pensioner members.

3 INVESTMENT RESPONSIBILITIES

3.1 TRUSTEES' DUTIES AND RESPONSIBILITIES

The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives. They carry out their duties and fulfil their responsibilities as a single body.

The duties and responsibilities of the Trustees include, but are not limited to, the following tasks and activities:

- The regular approval of the content of the Statement
- The appointment and review of the investment adviser
- The assessment of the risks assumed by the Scheme at total scheme level
- The compliance of the investment arrangements with the principles set out in the Statement

3.2 INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustees have appointed Mercer as the independent investment adviser to the Scheme. Mercer provides advice as and when the Trustees require it, as well as raising any investment-related issues, of which it believes the Trustees should be aware. Matters on which Mercer expects to provide advice to the Trustees include the following:

- Participating with the Trustees in reviews of this Statement
- Setting of investment objectives
- Advising on investment strategy
- Recommending an appropriate investment structure
- Determine investments that are suitable to meet the Trustees' objectives
- Advising on cashflow management (investment and withdrawal) policies (see Appendix 1)

Mercer charge a fixed fee each year for its services as stated in the engagement letter signed by the Trustees. This charge covers the service of Mercer as specified within the Engagement Letter dated 12 September 2023.

Any additional services provided by Mercer will be remunerated primarily on a time-cost basis.

In particular, Mercer does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of their advice, any discounts negotiated by Mercer with the underlying managers are passed on in full to the Scheme.

The Trustees are satisfied that this is the most appropriate adviser remuneration structure for the Scheme.

Mercer is authorised and regulated by the Financial Conduct Authority ("FCA").

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY

As noted, the Scheme holds a buy-in policy with PIC, which accounts for all of the Scheme's assets. PIC are authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and are registered in the United Kingdom.

The nature of the buy-in policy is such that the expected return will fund the Scheme's pension obligations. Due to the buy-in policy, there is no return target and instead the objective is to maintain liquidity and security and pay members' pensions as they fall due.

4.2 FINANCIALLY MATERIAL CONSIDERATIONS & CORPORATE GOVERNANCE

The Trustees understand that they must aim to consider all factors that have the ability to impact the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Trustees recognise that ESG factors, such as climate change, can influence the investment performance of the Scheme's portfolio and it is therefore in members' and the Scheme's best interests that these factors are taken into account within the investment process.

As noted earlier, with the Scheme's assets invested in a buy-in policy, the responsibility for management of all financial factors including ESG factors has been delegated to the insurer. The Trustees reviewed PIC's ESG capabilities as part of the insurer selection exercise.

4.3 NON-FINANCIAL CONSIDERATIONS

The Trustees only consider factors that are expected to have a financial impact on the Scheme's investments. The Trustees do not explicitly take into account non-financial matters in the selection, retention and realisation of investments.

5 RISK

Under the Pensions Act 2004, the Trustees are required to state their policy regarding the ways in which risks are to be measured and managed. These are set out below.

Counterparty Risk

- The principal risk facing the Trustees and the Scheme's members is that PIC may default on their obligations under the buy-in contract to meet accrued benefits (as contracted). Before entering into the contract with PIC, the Trustees obtained advice from its buy-in advisors which touched on this risk, and it was a key consideration for the insurer selection process. The policy in place is governed by market solvency requirements and the protections provided by the Financial Services Compensation Scheme.

Liquidity Risk

- This is measured by the level of cashflow required by the Scheme over a specific period. The Trustees do not expect to be able to obtain cash from the buy-in policy other than in respect of benefits insured by PIC. The Trustees recognise that there could be a high volume of unexpected early retirements with lump-sums, however, in this instance the Trustees would ask PIC to provide sufficient cash to cover this.

Environmental, Social and Governance Risk

- These risks are recognised and considered to be financially material. With the purchase of the buy-in policy, responsibility for management of these risks passed to PIC; their ability to manage these risks was considered as part of the insurer selection exercise. The Trustees may from time-to-time ask PIC to comment on the integration of ESG factors, where relevant, in the assets underlying the insurance policy.

Lack of Diversification

- The Trustees recognise that the decision to invest in a buy-in with a single provider, whilst reducing operational risks and complexity, represents a concentration of investment risk. However, after careful scrutiny of the provider prior to transaction, the Trustees are satisfied that the degree of risk taken is acceptable. In addition, PIC invest in a diverse portfolio of assets to mitigate this risk.
- The risks and other factors set out above are those that the Trustees determine to be financially material over the Scheme's anticipated lifetime. Other risks, such as regulatory risk and operational risk are considered and monitored as appropriate.

Social Risk

- This is the risk that social factors are not properly considered within the investment decision making process. Social risks can arise both within and external to a company, e.g. internal factors could include workplace health & safety whilst external factors may include a company's impact on the area surrounding their place of business.
- The day to day management of social risk is also the responsibility of the companies in which the Scheme's underlying managers invest. It is the responsibility of the investment manager to ensure that these companies have sufficient procedures and processes in place in order to mitigate these risks as far as is reasonably possible.

Corporate Governance Risk

- This is assessed by reviewing the Scheme's investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are provided to the Trustees from time to time and take into account the financial interests of the shareholders, which should ultimately be to the Scheme's advantage.

Sponsor Risk

- This is assessed as the level of ability and degree of willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit.
- It is managed by assessing the interaction between the Scheme and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor. Regular updates on employer covenant are provided to the Trustees by senior staff of the sponsor.

Legislative Risk

- This is the risk that legislative changes will require action from the Trustees so as to comply with any such changes in legislation.
- The Trustees acknowledge that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Credit Risk

- This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- The Trustees acknowledge that the assessment of credit risk on individual debt instruments is delegated to the investment manager. The Trustees will however ensure that they are comfortable with the amount of risk that the Scheme's investment manager takes.

Market Risk

- This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of the following three types of risk; currency risk, interest rate risk and other price risk.

Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.
- For currency hedged funds, the Trustees acknowledge that currency risk related to overseas investments is hedged appropriately by the underlying investment managers.
- For funds where the currency risk is separately managed by the manager, the Trustees acknowledge that currency risk is delegated to the underlying investment managers where the manager is responsible for the decision of whether or not to hedge.

Interest Rate (and inflation) Risk

- This is the risk that an investment's value will change due to a change in the level of interest and/or market-implied inflation rates. This affects debt instruments more directly than growth instruments.
- The Trustees recognise that the Scheme's liabilities are exposed to a significant level of interest rate and inflation risk and for this reason it is desirable for the Scheme's assets to be exposed to this risk too. The Trustees manage the Scheme's interest rate and inflation risks by considering the net risk when taking account of how the liabilities are valued.

Other Price Risk

- This is the risk that principally arises in relation to return seeking assets.
- The Scheme is primarily exposed to other price risk through its allocation to corporate bonds.

6 MONITORING OF INVESTMENT ADVISER AND MANAGERS

6.1 INVESTMENT ADVISER

The Trustees continually assess and review the performance of their adviser in a qualitative way.

7 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCS)

The Trustees hold assets invested separately from the main Scheme in the form of individual investments on a Money Purchase basis for those members who elected to pay Additional Voluntary Contributions (AVCs).

The AVC investments are held as pooled investment vehicles by Scottish Widows Fund and Life Assurance Society as either with-profits or unit-linked funds.

The Trustees believe that the AVC arrangements are suitable for the Scheme’s members.

8 CODE OF BEST PRACTICE

The Trustees note that in March 2017, the Pensions Regulator released ‘Investment Guidance for Defined Benefit Pension Schemes’.

The Trustees have received training in relation to this guidance and are satisfied that the investment approach adopted by the Scheme is consistent with the guidance so far as it is appropriate to the Scheme’s circumstances.

The Trustees meet with their investment adviser on a regular basis, monitoring developments both in relation to the Scheme’s circumstances and in relation to evolving guidance, and will revise the Scheme’s investment approach if considered appropriate.

9 COMPLIANCE

The Scheme's Statement of Investment Principles and annual report and accounts are available to members on request.

A copy of the Scheme's current Statement plus Appendices is also supplied to the Sponsoring Employer, the Scheme's investment managers, the Scheme's auditors and the Scheme Actuary, as well as being available on the Sponsoring Employer's website.

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Trustees in February 2024.

Signed on behalf of the Trustees by	....	....
On	....	....
Full Name	....	....
Position	....	....