

## **AMBULINE LIMITED RBS ("THE SCHEME") STATEMENT OF INVESTMENT PRINCIPLES**

### Introduction

This Statement of Investment Principles has been produced by the Trustee in accordance with the requirements of Section 35 of the Pensions Act 1995 ("the Act") and the relevant regulations. It sets out the broad principles used by us to govern our decisions on the investment of the Scheme's assets.

The Trustee confirms that in preparing this Statement it has followed the requirements of the Act by:-

- consulting with the employer, and
- taking written advice from our investment adviser, Aon Investments Limited. The Trustee considers Aon Investments Limited to have the appropriate knowledge and experience of the management of the investment of defined benefit pension schemes.

The effective date of this Statement is 24th August 2023. The Statement will be reviewed at no more than three-yearly intervals. It will also be revised whenever there is a significant change in our investment policy.

This Statement is available to members at [www.arrivapensions.com](http://www.arrivapensions.com). A copy of this Statement will be given to the Scheme Actuary.

### Decision-making

Investment decisions are made by the Trustee

It is considered that the selection of asset classes has the greatest effect in meeting the investment objectives and therefore the focus of our attention is on this before other aspects are considered.

### Day to day management

Professional fund managers perform the day to day management of the assets on our behalf. The Trustee selects managers that are authorised and regulated by the Financial Conduct Authority.

For reasons of liquidity and diversity, and with the aim of enhancing profitability by reducing costs, the Trustee invests predominately in unitised pooled funds. The Trustee has responsibility for selecting which managers to use and which pooled funds to invest in to give the Scheme the asset allocation required. In the short term the Scheme may also hold cash in the bank account for paying benefits or awaiting investment.

The use of unitised pooled funds means the Trustee is able to cancel units to realise investments within the funds by submitting written instructions to disinvest, signed by the Trustee or any other person the Trustee authorises to sign on its behalf. Units can usually be cancelled [on any working day] to provide cash for meeting benefits or for reinvestment

elsewhere.

### Investment objective

The Trustee's primary objective is to ensure there are sufficient assets available in the Scheme to meet the benefits in full as they fall due. The main factors that it currently considers when setting the investment strategy are:

- to ensure that the Scheme is fully funded using assumptions that allow for the return expected on equities and other return-seeking assets, but containing a margin for prudence, and allowing for the agreed Schedule of Contributions; and
- to have regard to the likely level and volatility of the required contributions from the employer.

The ability of the Trustee to anticipate the expected returns from equities and other return-seeking assets is dependent upon the backing of a financially strong employer group. However, the Trustee recognises that the employers will wish to monitor and control any increases to its contributions where possible. Therefore, the Trustee also will aim to reduce investment volatility where this is affordable and to help the employer manage their contribution rate requirement.

The Trustee's funding and investment objectives are considered at a trustee meeting once each year and formally reviewed at the time of the three-yearly actuarial funding assessment.

### Choosing investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cash-flow requirements, the funding level of the Scheme and the Trustee's objectives.

It is the Trustee's intention to ensure that the assets of the Scheme are invested in the best interests of the members and beneficiaries.

The Trustee exercises its powers of investment (or delegation where these powers have been delegated to an investment manager) in a manner calculated to ensure, as far as is reasonably practicable, the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk, a spread of assets is held. The diversification is both within and across the major asset classes.

Assets held to cover the Scheme's technical provisions (the liabilities of the Scheme) are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

The assets of the Scheme are invested predominantly in regulated markets (with investments not in regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid

accumulations of risk in the portfolio as a whole.

Investment in derivatives is only made insofar as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

The policy of the Trustee is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Plans (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 Trustee will monitor this on an ongoing basis to ensure compliance.

#### Investment risk measurement and risk management processes

There are many risks surrounding investment and the Trustee keeps apprised of them, taking the advice of its investment adviser supplemented by information from reports by its fund managers. In particular, the Trustee will assess:

- a) Investment matching risk - the risk that asset values and liabilities move in a way that worsens scheme funding.
  - The Trustee takes investment matching advice from its advisors after each actuarial funding assessment, including advice on how the matching position could change in the short term following any expected retirements.
  - After the actuarial funding assessment and thereafter no less frequently than annually, the Trustee will review with its investment adviser the prospective returns from the various classes of investment held and the risks to the funding position and to members' security in any mismatched position it has adopted. If the investment adviser's advice is that the asset classes are likely to move substantially against each other in a way that will worsen the funding of the scheme, the Trustee will consider changing the investments to reduce the mismatch. At the same time, the Trustee will assess market movements already experienced. If the investment adviser's view is that experienced returns have already moved against each other in an adverse way it will consider its response and consult the Scheme Actuary, as appropriate.
- b) Investment return risk - the risk that market returns underperform the nominal rates required to meet the funding objective.
  - The Trustee will monitor market returns against the rates expected at the most recent actuarial funding assessment no less frequently than annually.
  - If markets do underperform the Trustee will consider what advice should be taken from the Scheme Actuary about requesting additional contributions from the sponsoring employer.

- c) Inflation risk - the risk that the return on markets after allowing for inflation is less than expected.
- The Trustee will monitor market returns against expected future inflation no less frequently than annually.
  - If real returns are less than expected the Trustee will consider what advice should be taken from the Scheme Actuary about requesting additional contributions from the sponsoring employer.
- d) Investment duration risk - the risk that the bonds the Scheme holds have a shorter term than the length of the liabilities.
- The Trustee will monitor long-term gilt yields at least annually and if there is reduction in yields of more than 0.5% will consider taking advice from the Scheme Actuary.
- e) Manager performance risk - the risk that the chosen managers do not meet the Trustee's expectations of them.
- Each year the Trustee will monitor manager performance against the relevant market returns over three-year rolling periods, taking advice from our investment adviser as appropriate.
  - The Trustee will also monitor that the assets underlying each of the managers' funds continue to be in broadly the proportions that led it to select the fund. If the structure of any fund appears to change significantly then the Trustee will take advice from its investment adviser, as appropriate.
  - The Trustee will take account of the systematic risks with the real assets, particularly with equities and combine lower cost index tracking funds alongside the actively managed funds to diversify the "style" aspects of fund management processes as its investment adviser recommends.
- f) Diversification etc - the Trustee will monitor, no less frequently than annually, that its chosen investment managers maintain a proper diversification of assets, invest predominately on regulated markets and if they use derivatives on its behalf only do so for the purpose of risk management.

### Asset Allocation Model

The Trustee has taken advice from the Investment Adviser and has set the following strategic allocation.

<u>Asset Class</u>	<u>Target allocation</u>	<u>Range</u>
Equity	10%	0% - 20%
Index linked gilts	90%	80% - 100%

The Trustee will vary the allocation as market forces direct at the advice of the Investment Adviser. The Trustee will analyse the asset allocation position at least once per calendar year and more often if circumstances and opportunities permit.

The Trustee expects the chosen fund managers to monitor and control other investment risks, within the mandate for the funds offered by them, e.g. credit risk within a bond portfolio, currency risk etc. The Trustee also expects them to ensure that suitable internal operating procedures are in place to control individuals making investments for the funds. The Trustee also appreciates that fund managers will hold a "trading cash position" that may typically be up to, say, 5% within funds that hold real assets, such as equities, property and fixed interest.

### Current investment mandates

The investment managers and asset mix are noted in the annual reports and accounts.

The Trustee considers the managers it uses to be competent fund managers who have appropriate internal controls in place and can be expected to manage their funds in a prudent manner.

The Trustee currently takes investment advice from Aon Investment Limited.

### Expected return on investments

Over the long term the Trustee's expectations are:

- for the "growth" assets (UK and overseas equities) to achieve a return which provides a real return above the increase in price inflation over the same period. The Trustee is willing to incur short-term volatility in asset price behavior with the expectation that over the long term these assets will outperform asset classes which may be regarded as matching the liabilities;
- for the "matching" assets (bonds, cash etc) to achieve a rate of return which is at least in line with changes in the cost of providing fixed income annuities;
- for the asset classes to provide projected returns at least in line with the Trustee's funding assumptions and as set out in the Statement of Funding Principles.

Returns achieved by the investment managers are assessed against performance benchmarks set by the Trustee in consultation with its advisers and investment managers.

#### Social, environmental or ethical considerations

In setting the Scheme's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. These include:

- The risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from their investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.

#### Stewardship – Voting and Engagement

As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers to:

- take into account social, environmental or ethical considerations in the selection, retention and realisation of investments; and
- exercise the Trustee's voting rights in relation to the Scheme's assets.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

#### Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy the Trustee does not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

#### Adoption of Statement

The Trustee has agreed that this Statement should be adopted as the formal Statement of Investment Principles.

**Ambuline Limited RBS ("the Scheme")**  
**Appendix to the Statement of Investment Principles**

This Appendix sets out the Trustee's current investment strategy and is supplementary to the Trustee Statement of Investment Principles ("the attached Statement").

The Trustee's investment strategy has been established in order to maximize the likelihood of achieving the primary objectives set out in the attached Statement. The details are laid out below:

Asset Allocation Strategy

<u>Asset Class</u>	<u>Target allocation</u>	<u>Range</u>
Equity	10%	0% - 20%
Index linked gilts	90%	80% - 100%

Investment management arrangements

The Scheme's assets are invested with a range of pooled funds.

Global equities

The Trustee's benchmark allocation to equities is 10% of the Scheme's total assets and, as at the Statement date, is invested the funds outlined below.

Fund/Manager:

- Stock Exchange Equity Fund

Fixed Income

The Trustee's benchmark allocation to Index linked gilts is 90% of the Scheme's total assets and this is invested as outlined below.

Fund/Manager:

- Aberdeen Index linked gilt tracker
- Royal London Index linked gilt fund

Re-balancing arrangements

In order to ensure the assets are re-balanced in line with the asset allocation strategy, the Trustee reviews the balance of the assets on a regular basis, following which appropriate corrective action is taken.

#### Fee Structure for advisors and managers

The Trustee's investment advisers are paid for advice received on the basis of the time spent by the adviser. For significant areas of advice (e.g. one off special jobs, or large jobs, such as asset and liability modeling), the Trustee will endeavour to agree a project budget.

These arrangements recognise the bespoke nature of the advice given and that no investment decisions have been delegated to the adviser.

#### Investment managers

The investment managers are remunerated at a set percentage of the assets under management. This is in keeping with market practice.