

## **James Fisher & Sons Public Limited Company Pension Fund**

### **Statement of Investment Principles (“SIP”)**

#### **Purpose of this Statement**

This SIP has been prepared by the Trustees of the James Fisher & Sons Public Limited Company 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.

#### **Governance**

The Trustees of the Scheme make all 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 formal written advice from their investment advisors.

The Trustees believe that their investment advisers, Isio, are qualified to provide such advice 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’ primary objective when investing the assets of the Scheme are as follows:

- to ensure that the assets are sufficient and available to pay members’ benefits as and when they fall due;
- to generate an appropriate level of investment returns – to improve the funding position and thereby improve security for members; and
- to protect the funding position – limiting the scope for adverse investment experience reducing security for members.

The Trustees’ investment approach is designed to strike a balance between the above primary objectives and any other factors that are deemed appropriate at the time.

In addition, the Trustees have a stated secondary objective which is to achieve funding sufficient to secure all of the liabilities with an insurance company (buy in) by 2035. Investment decisions are made with reference to this secondary objective as appropriate.

## **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 is 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. Where appropriate, the Trustees consider 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 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.

## **Leverage and collateral management**

The Trustees would normally expect to adhere to all relevant regulatory guidance and requirements in relation to leverage and collateral management within the Scheme's liability hedging (LDI) and synthetic equity / credit portfolio(s).

The Trustees have a collateral management policy. This sets out the agreed process for meeting collateral calls should these be made by the Scheme's LDI investment manager. The Trustees will look to review, and stress test this policy on a regular basis.

Further details on this can be found in Appendix C.

## **Investment Management Arrangements**

The Trustees have appointed several investment managers to manage the assets of the Scheme. 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 where additional engagement may be appropriate
Performance, Strategy and Risk	<ul style="list-style-type: none"> <li>• The Trustees receive a quarterly performance report which details information on the underlying investments' performance, strategy and overall risks. The Trustees have appointed Isio as investment advisors and their internal research function carried out in depth review of the investment managers and funds in the portfolio. The quarterly performance report highlights any relevant developments at the manager.</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• There are significant changes made to the investment strategy of the chosen pooled funds.</li> <li>• The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustees' expectations.</li> <li>• Underperformance vs the performance objective .</li> </ul>
Environmental, Social, Corporate Governance factors and the exercising of rights	<ul style="list-style-type: none"> <li>• The Trustees' investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues.</li> <li>• The Trustees receive information from their investment advisers on the investment managers' approaches to engagement.</li> <li>• The Trustees will engage, via their investment adviser, with investment managers and/or other relevant persons about</li> </ul>	<ul style="list-style-type: none"> <li>• The manager has not acted in accordance with their policies and frameworks</li> </ul>

	relevant matters at least annually.	
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Through the engagement described above, the Trustees will work with their investment advisors and investment managers to improve 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 annual 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 consult the sponsoring company and take appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

**Adopted by the Trustees on 15 January 2024**

**Appendix A – Risks, Financially Material Considerations (including ESG and climate change) 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:

<b>Risks</b>	<b>Definition</b>	<b>Policy</b>
Investment	The risk that the Scheme’s funding position deteriorates due to the assets underperforming.	<ul style="list-style-type: none"> <li>• Selecting an investment strategy that is achievable and is consistent with the Scheme’s funding basis and the sponsoring company’s covenant strength.</li> <li>• Investing in a diversified portfolio of assets.</li> </ul>
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	<ul style="list-style-type: none"> <li>• Funding risk is considered as part of the investment strategy review and the actuarial valuation.</li> <li>• The Trustees will agree an appropriate funding strategy in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.</li> </ul>
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	<ul style="list-style-type: none"> <li>• When developing the Scheme’s investment and funding strategy, 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.</li> </ul>

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

<b>Risk</b>	<b>Definition</b>	<b>Policy</b>
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.	To hedge as high a % of these risks as is reasonably possible and appropriate, taking into account liquidity constraints and ensuring compliance with all regulatory guidance in relation to leverage and collateral management.

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 meet regulatory guidance around providing collateral to the LDI/synthetic equity/credit 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 diversify this risk by investing in a range of credit markets across different geographies and sectors.  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	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI signatory  The Trustees monitor the managers on an ongoing basis.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Hedge currency risk on 'Matching' assets where appropriate.
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 B – Investment Manager Policies

The Trustees, taking advice from their investment advisors, have the following policies in relation to the investment management arrangements for the Scheme:

<p><b>How the investment managers are incentivised to align their investment strategy and decisions with the Trustees’ policies.</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The Scheme’s holdings with Partners Group are subject to a performance related fee element.</li> </ul>
<p><b>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.</b></p>	<ul style="list-style-type: none"> <li>• The Trustees review the investment managers’ performance relative to medium and long-term objectives as documented in the investment management agreements.</li> <li>• The Trustees monitor the investment managers’ engagement and voting activity on an annual basis as part of their monitoring process.</li> <li>• The Trustees do not incentivise the investment managers to make decisions based on non-financial performance.</li> </ul>
<p><b>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.</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The Trustees evaluate performance over the time period stated in the investment managers’ performance objective, which is typically 3 to 5 years.</li> <li>• Investment manager fees are reviewed annually to make sure the correct amounts have been charged and that they remain competitive.</li> </ul>
<p><b>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
<p><b>The duration of the Scheme’s arrangements with the investment managers</b></p>	<ul style="list-style-type: none"> <li>• The duration of the arrangements is considered in the context of the type of fund the Scheme invests in.</li> </ul>

	<ul style="list-style-type: none"> <li>○ 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.</li> <li>○ 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.</li> </ul>
<p><b>Voting Policy - How the Trustees expect investment managers to vote on their behalf</b></p>	<ul style="list-style-type: none"> <li>● The Trustees have acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on their behalf.</li> </ul>
<p><b>Engagement Policy - How the Trustees will engage with investment managers, direct assets and others about 'relevant matters'</b></p>	<ul style="list-style-type: none"> <li>● The Trustees have acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on their behalf.</li> <li>● The Trustees, via their investment advisers, will engage with managers about 'relevant matters' at least annually.</li> <li>● Example stewardship activities that the Trustees have considered are listed below. <ul style="list-style-type: none"> <li>○ Selecting and appointing asset managers – the Trustees will consider potential managers' stewardship policies and activities</li> <li>○ Asset manager engagement and monitoring – the Trustees assess the voting and engagement activity of their asset managers periodically.</li> </ul> </li> </ul>



## Appendix C – Collateral Management Policy

The Trustees are targeting a level of collateral over and above that within the Scheme’s LDI funds that is sufficient to withstand (at least) one collateral call from each of the Scheme’s LDI funds. At the time of writing, the Scheme has significantly more headroom than the current regulatory guidance, through the pooled LDI manager and additional daily traded funds.

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

The latest collateral waterfall is set out below. Assets held with the same manager as the LDI mandate are shown in bold, reflecting the lower governance burden on the Trustees.

<b>Manager</b>	<b>Asset Class</b>	<b>Dealing frequency</b>
Insight	Cash	Daily frequency
Insight	ABS	Daily frequency
M&G	Absolute Return Bonds	Monthly frequency*
Partners Group	Private markets	Monthly frequency*

\*The Trustees are not able to use M&G and Partners Group assets to meet a collateral call at short notice due to the dealing cycle. Where possible, the Trustees will consider disinvesting from these assets to strengthen the liquidity position.