

Coventry Building Society Staff Superannuation Fund

Statement of Investment Principles (“SIP”)

Purpose of this Statement

This SIP has been prepared by the Trustee of the Coventry Building Society Staff Superannuation Fund (the “Fund”). This statement sets out the principles governing the Trustee’s decisions to invest the assets of the Fund.

Governance

The Trustee of the Fund make all major strategic decisions including, but not limited to, the Fund’s asset allocation.

When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee’s 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 adviser’s remuneration may be a fixed fee or based on time worked, as negotiated by the Trustee in the interests of obtaining best value for the Fund.

Investment objective

The Trustee invest the assets of the Fund with the aim of ensuring that all members’ accrued benefits can be paid.

Investment strategy

To maintain appropriate assets, which will be held as cash in the Trustee bank account to reduce market risk, in order to settle winding-up lump sum payments, plus reserves for any residual liability or expenses that might be incurred.

Investment mandate(s)

The Trustee will hold the Fund’s assets in the Trustee bank account.

Investment Manager Monitoring and Engagement

The Trustee acknowledges the importance of Environmental, Social and Governance (“ESG”) factors. As the Fund’s entire assets are held as cash in the Trustee bank account, there is limited scope for the Trustee to incorporate ESG for invested assets directly by the Fund.

Employer-related investments

The Trustee’s policy is to monitor the Fund’s exposure to employer-related investments in accordance with the restrictions outlined in the Pensions Act 1995, the Occupational Pension Schemes (Investment) Regulations 2005 and any subsequent legislative amendments. If the level of employer related investment exceeds 5% of the Fund’s value then the Trustee will actively look to address the exposure.

Direct investments

Direct investments, as distinguished by the Pensions Act 1995, are products purchased without delegation to a fund manager through a written contract. These include members' Additional Voluntary Contributions invested with Coventry Building Society in the name of the Trustee of the Fund for each individual member. When selecting and reviewing any direct investments, the Trustee 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 this Statement, the Trustee consulted the sponsoring employer and took appropriate written advice and will do so in future before making any changes. The Statement is reviewed at least every three years, and without delay after any significant change in investment policy.

The Trustee of the Coventry Building Society Staff
Superannuation Fund signed this document on 26 February 2021
Date:

Appendix A – Risks, Financially Material Considerations and Non-Financial Matters

A non-exhaustive list of risks and financially material considerations that the Trustee consider and seek to manage is shown below.

The Trustee considers 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 Fund's position deteriorates due to the assets underperforming.	The Trustee has mitigated these risks in the Fund's portfolio by holding cash in the Trustee bank account for the sole purpose of covering the winding-up lump sum and any expenses that might be incurred.
Funding	The extent to which there are insufficient Fund assets available to cover ongoing and future liability cash flows.	
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Fund.	

There are a number of underlying risks considered in the Fund's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Fund assets and present value of liabilities from changes in interest rates and inflation expectations.	As the Fund is in the process of winding up, the Trustee does not believe this to be a significant risk.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	All the Fund's assets are held in cash and therefore there is limited liquidity risk.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	There is no exposure to market risk, however, the Trustee acknowledges that, being solely invested in cash, the Fund may underperform investment markets .
Credit	Default on payments due as part of a financial security contract.	As the Fund holds its assets as cash in the Trustee bank account, this risk has been mitigated.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change,	The Trustee acknowledges the importance of ESG, however, due to the nature of the Fund's assets, and short

	which can impact the performance of the Fund's investments.	investment horizon, the Trustee believes the ESG risks are limited.
Currency	The potential for adverse currency movements to have an impact on the Fund's investments.	The risk of adverse currency movements has been mitigated due to the Fund's assets and liabilities both being denominated in the same currency.
Non-financial	Any factor that is not expected to have a financial impact on the Fund's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix B – Manager Remuneration

The Trustee has the following policies in relation to the investment management arrangements for the Fund:

<p>How the investment managers are incentivised to align their investment strategy and decisions with the Trustee’s policies.</p>	<p>The Fund’s assets are held as cash in the Trustee bank account, and there is not an investment manager, however, should the investment strategy change in the future, the Trustee will consider how investment managers are incentivised.</p>
<p>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.</p>	<p>The Fund’s assets are held as cash in the Trustee bank account, and there is not an investment manager, however, should the investment strategy change in the future:</p> <ul style="list-style-type: none"> • The Trustee will review the investment managers’ performance relative to medium and long-term objectives as documented in the investment management agreements. • The Trustee will not incentivise the investment managers to make decisions based on non-financial performance.
<p>How the method (and time horizon) of the evaluation of investment managers’ performance and the remuneration for their services are in line with the Trustee’s policies.</p>	<p>The Fund’s assets are held as cash in the Trustee bank account, and there is not an investment manager, however, should the investment strategy change in the future:</p> <ul style="list-style-type: none"> • The Trustee will review the performance of all of the Fund’s investments on a net of cost basis to ensure a true measurement performance versus investment objectives. • The Trustee will evaluate performance over the time period stated in the investment managers’ performance objective, which is typically 3 to 5 years.
<p>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</p>	<p>The Fund’s assets are held as cash in the Trustee bank account, and there is not an investment manager, however, should the investment strategy change, investment managers will be incentivised to minimise costs as they will be measured on a net of cost basis.</p>
<p>The duration of the Fund’s arrangements with the investment managers.</p>	<p>The Fund’s assets are held as cash in the Trustee bank account, and there is not an investment manager, however, should the Fund make an allocation to an investment manager in the future; the duration of the arrangements will be considered in the context of the investment being made.</p>