



Maxi Group of Companies Retirement Benefits Scheme

Statement of Investment Principles

October 2023

1. Introduction

This Statement of Investment Principles in respect of the Maxi Group of Companies Retirement Benefits Scheme (“the Scheme”) has been drawn up by the Trustees of the Scheme in accordance with Section 35 of the Pensions Act 1995, amended by Section 244 of the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005, the Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

2. Decision Making Process

The Trustees

The investment of the Scheme’s assets is the responsibility of the Trustees and the Scheme Rules give the Trustees broad powers on investment. There are no restrictions (however expressed) on any power to make investments by reference to the consent of the Employer.

The Trustees’ policy is to seek professional advice on investment strategy. They decide on the investment strategy after considering investment advice from the Investment Consultant. The Trustees recognise that their level of investment expertise must be kept under review in order to be able to critically evaluate this advice.

The Trustees meet regularly and ensure that adequate time is set aside to discuss investment issues. In determining the investment strategy, the Trustees address the following:

- the Scheme membership profile and cashflow requirements,
- the need to consider a full range of asset classes,
- the risks and rewards of a range of alternative asset allocation strategies,
- the suitability of each asset class,
- the need for appropriate diversification, and
- the Scheme’s Investment and Funding Objectives

The Investment Consultant

The Investment Consultant advises on an investment strategy appropriate to the investment objectives. This advice is provided after each formal actuarial valuation and on a regular basis between formal valuations.

The Investment Consultant is paid a fee for their advice and their appointment is reviewed from time to time by the Trustees.

Broadstone Corporate Benefits Limited (Broadstone) has been appointed as Investment Consultant to the Trustees on the basis that the Trustees believe them to be suitably qualified and have the appropriate knowledge and experience of the management of the investments of such schemes. Broadstone is authorised and regulated by the Financial Conduct Authority.

The Employers

The Trustees will consult with Maxi Construction Limited and Maxi Haulage Limited (“the Employers”) as part of the process for deciding on investment strategy.

Delegation

The Trustees have a policy of delegating all day-to-day powers of investment to the Investment Manager who are authorised and regulated by the Financial Conduct Authority.

The safe custody of the Scheme’s assets is delegated to professional custodians via the use of pooled vehicles.

3. Investment Objectives

Funding Objective

The primary funding objective of the Scheme is to ensure, as far as possible, that there are sufficient assets to provide benefits to the Scheme members as and when these fall due.

Investment Objectives

The Trustees’ high-level objectives with regard to investing the Scheme assets are to:

- achieve a return which is sufficient over the longer term to meet the Funding Objective.
- adopt an approach that recognises the need to balance risk with the achievement of a satisfactory investment return.

Performance Objective

The Investment Manager has been set Performance Objectives to achieve returns in line with, or in excess of, a benchmark.

4. Investment Strategy

The investment strategy was most recently reviewed in May 2023.

Given their investment objectives, the Trustees have agreed the following long term strategic asset allocation:

Asset class / fund	Strategic Asset Allocation
Gilts and Index-Linked Gilts	60%
Maturing Buy and Maintain Corporate Bonds	40%*
Cash funds	0% (for the investment of surplus cash from time to time)
Total	100%

*Initial investment, expected to move over time as underlying holdings mature and principle is returned to the Scheme

The assets are held in pooled funds and are fully and readily realisable.

The Trustees agreed the range of funds used in the strategy taking into account the maturity of the liabilities. The Trustees are satisfied that the funds selected are consistent with their investment objectives and that the range agreed is sufficiently robust to allow easy adjustment between the funds as the risk appetite changes and the Scheme matures.

The Trustees may, from time to time, decide to change the funds used within the overall investment strategy and the investment allocation between the funds as alternatives emerge, funds change and the Scheme develops.

5. Cash flow and Rebalancing

Unless otherwise agreed from time to time, new money (including proceeds from the buy and maintain corporate bonds) will normally be invested into (or disinvestments required for cash flow made) a cash fund which is held for the purpose of investing surplus cash above the requirements of the strategy.

The Trustees are mindful of the need to periodically rebalance the assets of the Scheme to be broadly in line with the Scheme's strategic benchmark asset allocation and/or when any control limits are breached. The Trustees will monitor the Scheme's actual asset allocation on a regular basis and will decide on a course of action which may involve redirecting cash flows, a switch of assets or taking no action, taking into account advice from the Investment Consultant.

6. Expected Return

The Trustees expect the return on assets to be consistent with the investment objective and investment strategy outlined on the previous pages.

Based on their target long-term asset allocation, the Trustees expect to generate a return above long-term cash / UK government bonds of around 0.5% per annum (net of expenses). This return is a 'best estimate' of future returns that has been arrived at given the Scheme's longer term asset allocation and in light of advice from the Investment Consultant.

The Trustees recognise that, over the short-term, performance may deviate significantly from this long-term expectation. This 'best estimate' will also generally be higher than the estimate used for the actuarial valuation of the Scheme's liabilities. For this purpose, a more prudent estimate of returns will generally be used, agreed by the Trustees on the basis of advice from the Scheme Actuary.

7. Investment Managers

The Trustees have appointed Legal and General Investment Management (LGIM) as the Investment Manager. The Scheme now invests 100% of the Scheme assets with LGIM. The Investment Manager is regulated under the Financial Services and Markets Act 2000.

The Scheme does not invest directly in stocks, shares, bonds, derivatives etc.

The Trustees have decided to invest in pooled funds because:

- the Scheme is not large enough to justify direct investment in equities or bonds on a cost-effective basis;
- pooled funds allow the Scheme to invest in a wider range of assets which serves to reduce risk; and
- pooled funds provide a more liquid form of investment than certain types of direct investment.

The Investment Manager appoints individual custodians to hold the securities owned by the Scheme.

8. Investment Monitoring

The Investment Manager provides the Trustees with quarterly reports setting out a valuation of the funds and a commentary on performance.

The Investment Manager periodically attends Trustees' meetings in order to report on their activity and performance, to outline their views on future investment conditions and to answer any questions the Trustees may have.

9. Portfolio Turnover costs

The Trustees expect the Investment Manager to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions.

The Trustees therefore do not set a specific portfolio turnover target for their strategy or the underlying funds.

The Investment Manager when requested by the Investment Consultant shall provide information on portfolio turnover and associated costs so that this can be monitored, as appropriate.

10. Engagement and voting rights

The Trustees wish to encourage best practice in terms of activism. The Trustees' voting and engagement policy is to use their investments to improve the Environmental, Social and Governance (ESG) behaviours of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustees believe that having this policy and aiming to improve how companies behave in the medium and long term will protect and enhance the value of their investments and is in the members' best interests.

The Trustees accept that by using pooled investment vehicles, the day-to-day application of voting rights will be carried out by the Investment Manager. The Trustees will aim to monitor the actions taken by the investment manager on their behalf and if there are significant differences from the policy detailed above, they will escalate their concerns which could ultimately lead to disinvesting their assets from the manager.

11. Environmental, Social and Governance factors

The Trustees believe that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk-adjusted investment returns. The Trustees expect their Investment Manager, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the ESG integration capability of their investment manager.

The Trustees believe that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, they must act as a responsible asset owner. The Trustees expect their Investment Manager to exercise their ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustees (delegating to the Investment Consultant where appropriate) assess the stewardship and engagement activity of the Investment Manager.

Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustees believe these should not drive investment decisions. The Trustees expect the Investment Manager, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered, and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG and ethical views) in relation to the selection, retention and realisation of investments.

Responsibility for monitoring the makeup and development of the capital structure of investee companies is delegated to the Investment Manager. The Trustees expect the extent to which the Investment Manager monitors capital structure to be appropriate to the nature of the mandate.

12. Conflicts of Interest

The Trustees maintain a separate conflicts of interest policy and register.

Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Manager, while also setting out a process for their management.

13. Incentivisation of Investment Manager

The Investment Manager is primarily remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund.

The Trustees do not directly incentivise the Investment Manager to align the approach they adopt for a particular fund with the Trustees' policies and objectives. Instead, the Investment Manager and the funds are selected so that, in aggregate, the returns produced are expected to meet the Trustees' objectives.

Neither do the Trustees directly incentivise the Investment Manager to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issues to improve their performance. The Trustees expect such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Scheme.

14. Employer Related Investments

The Trustees' policy is not to hold any direct employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005.

15. Risks

The Trustees recognise that a number of risks are involved in the investment of the assets of the Scheme. They have identified the following principal risks which have the potential to cause deterioration in the Scheme's funding level:

- Solvency risk: The risk that the fund has insufficient assets to meet all its liabilities as they fall due.
- Mismatching risk: The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors.
- Manager risk: The failure by the Investment Manager to achieve the rates of investment return assumed.

- Liquidity risk: The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities.
- Custodian risk: The risk of failed or inadequate performance by the custodian.
- Concentration Risk: The risk that the performance of any single investment that constituted a large proportion of the assets would disproportionately influence the overall level of assets.
- Political risk: The financial risk that a country's government will suddenly change its policies. This includes events unfolding in the Eurozone and elsewhere, other government actions, geopolitical events, and socio-economic changes that can lead to social unrest.
- Sponsor risk: The possibility of failure of the Scheme's sponsoring employers.
- Counterparty risk: The risk that other parties in any trade or position will default, i.e. will renege on their contractual obligations, resulting in a financial loss to the Scheme.
- Currency Risk: The risk associated with exposure to unexpected fluctuations in exchange rates. Fluctuations in currency values (both of the home currency and the foreign currency) can reduce the returns associated with foreign investments.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review. Some of these risks may also be modelled explicitly during the course of such reviews.

The policy of the Trustees is to monitor, where possible, these risks on a regular basis. The Trustees therefore consider:

- The actual funding level versus the Statutory Funding Objective.
- Actual performance versus the Scheme's investment and funding objectives.
- The Investment Manager's performance versus their respective benchmarks and targets.
- Any significant issues with the Investment Manager that may impact their ability to meet investment performance objectives set by the Trustees.

16. Fee Structures

The Investment Manager is paid a management fee on the basis of assets under management. The Investment Consultant is paid on a project basis which may be a fixed fee or based on time cost, as negotiated by the Trustees in the interests of obtaining best value for the Scheme.

The appropriateness of the Investment Manager's remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise a manager has had in meeting its objectives, both financial and non-financial.

17. Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in, and experience of, financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Agreed by the Trustees of the Maxi Group of Companies Retirement Benefits Scheme