

ENDSLEIGH INSURANCE SERVICES LTD PENSION & ASSURANCE SCHEME

STATEMENT OF INVESTMENT PRINCIPLES

MADE AS AT 28 SEPTEMBER 2023

1. Introduction

- 1.1. This statement is made by Endsleigh Pension Trustee Limited ("the Trustee") the sole trustee of the Endsleigh Insurance Services Ltd Pension & Assurance Scheme ("the Scheme") which sets out how the Trustee invests the defined benefit (DB) assets for the Scheme.
- 1.2. The Scheme's assets are held in trust by the Trustee, whose investment powers are set out in the Scheme's governing Trust Deed. The content of this statement does not conflict with those powers.
- 1.3. This statement has been prepared in accordance with all relevant legislation in force at the date of approval. It outlines the principles and policies governing investment decisions made by, or on behalf of the Trustee for the management of the Scheme's assets and the Trustee's policy for complying with Sections 35 and 36 of the Pensions Act 1995 and subsequent legislation.
- 1.4. This statement will be reviewed by the Trustee at least every three years, and may require amendment as general investment conditions alter and as the liabilities or membership profile of the Scheme change over time. Changes should only be made after due and proper consideration of the circumstances.
- 1.5. Before making or revising this statement the Trustee will obtain and consider the written advice from Barnett Waddingham LLP who is the Trustee's appointed Investment Adviser ("the Adviser") to ensure its contents are appropriate to the circumstances of the Scheme. The Trustee also consults EFS Financial Services Limited ("the Employer") as to the contents of this statement as well as any material change to its investment strategy not explicitly described in this statement.

2. EPensionBuilder

2.1. Investment Objectives

- 2.1.1. The Trustee considers the following to constitute its overall objectives of EPensionBuilder:
 - a) to invest in assets of appropriate quality and liquidity which will generate income and capital growth to meet, together with new contributions from the Employer, the cost of current and future benefits which the Scheme provides, as set out in the Trust Deed and Rules and
 - b) over the long term to equal or exceed the real, i.e. after adjusting for the effects of inflation, investment return assumed in the actuarial valuation of the liabilities of the Scheme from time to time and
 - c) any other objective that the Trustee may, from time to time, consider appropriate.

2.2. Choosing investments

- 2.2.1. The Trustee takes the overall strategic investment decisions, recognising that implementing an investment strategy requires specialist knowledge and understanding.

- 2.2.2. The Trustee appoints a fund manager (or more than one) to carry out all the day-to-day functions relating to the management of the fund and its administration.
- 2.2.3. The Trustee is closely involved in the wider issues relating to overall investment strategy, but is not involved in day to day decisions. In light of the size of the Scheme and the number of Trustee directors, it is not considered appropriate to set up an investment sub-committee.
- 2.2.4. In particular, the selection of particular investments is left to the fund managers.
- 2.2.5. The selection of investments also reflects the Trustee's view, having consulted the Adviser and the Scheme Actuary, as to the suitability of a particular kind of investment in any given category to the nature of the Scheme's liabilities.
- 2.2.6. The Trustee reviews their investment strategy on a triennial basis (or more frequently if significant events take place). When doing so, the Trustee seeks and considers advice of the nature described above.
- 2.2.7. The Trustee has appointed Legal & General Assurance (Pensions Management) Limited to administer on their behalf the non-LDI assets of the Scheme. The investment comprises units in pooled managed funds and the Trustee's contract with the fund manager is evidenced by a policy of assurance. The fund manager has delegated all duties relating to the day-to-day investment management of the portfolio of securities and cash underlying these units to Legal & General Investment Management Limited ("LGIM").
- 2.2.8. The Trustee has appointed Insight Investment Management (Global) Limited to manage the liability driven investment (LDI) strategy of the Scheme. The investment comprises units in a pooled fund.
- 2.2.9. The fund managers are regulated by the Financial Conduct Authority.
- 2.2.10. The Adviser advises on the suitability of certain investments having regard to the nature of the Scheme's liabilities. The Trustee from time-to-time also receives advice from other appropriately qualified experts as to the suitability of investments. The Trustee is advised by the Adviser that such advice is not necessary when straightforward, day to day decisions on particular investments of a kind and amount already agreed as being within certain fixed parameters (for example, selling one share and buying another) are made by the fund managers. However, where issues of a more substantial nature arise (for example, the proportion of the fund to be held in a currency other than sterling) then such advice is sought and confirmed in writing. The Trustee considers such advice before making their decisions.
- 2.2.11. The remuneration of the fund managers is calculated as a percentage of the fund value unless agreed to the contrary, the Adviser is remunerated based on the value of time actually spent on investment-related work.

2.3. The kinds of investment to be held

- 2.3.1. Subject to the requirements of the Scheme's documentation and legislation generally, the Trustee is not restricted in the kind of investment it can make. This freedom extends, in particular (but not exclusively) to investments of the following kinds:-

- (a) an annuity contract or assurance policy (whether with profits or not) issued by a United Kingdom office or branch of an Insurance Company;
 - (b) a scheme of deposit administration;
 - (c) a unit trust, managed fund or mutual fund;
 - (d) a deposit with a local authority, bank, building society, finance company or other financial institution.
 - (e) an LDI Fund (which includes swaps, gilt repurchase arrangements and other derivative contracts)
- 2.3.2. This list (which is not intended to be exhaustive) includes investments in currencies other than sterling.
- 2.3.3. The Trustee may impose restrictions on the proportions held in various kinds of investments. Details of any such restrictions are made known in writing to each fund manager and are contained in the relevant investment guidelines.

2.4. The balance between different kinds of investment

- 2.4.1. The Trustee recognises that the return received from different kinds of investment is achieved in different ways (for example, a high income but little opportunity for capital growth as opposed to a low income but substantial opportunity for capital growth).
- 2.4.2. The Trustee also recognises that the liabilities of the Scheme are of different kinds (for example, current pensioners require an immediate income whereas current employees require no immediate pension income but will do so in future).
- 2.4.3. The Trustee seeks to balance the investments held against the current and future needs of the Scheme.
- 2.4.4. The Trustee will review the balance of investments periodically to ensure it continues to be appropriate for the Scheme's objectives.

2.5. Risk

- 2.5.1. The funding risk within a DB Scheme sits with the Employer.
- 2.5.2. Using an integrated risk management (IRM) approach, in consultation with the Employer, the Trustee takes an overall approach to managing this risk. The IRM approach considers how covenant, funding and investment risk are all linked and inter-dependent.
- 2.5.3. The Trustee has considered all of the risks it is exposed to and ways of measuring and managing risks when designing the investment strategy.
- 2.5.4. In terms of the investment strategy the Trustee views risk as the probability that its chosen strategy would result in the objectives not being met. The strategy is designed to maximise the probability of meeting the objectives whilst aiming to control those factors which may result in the objective not being met.
- 2.5.5. In arriving at the investment strategy, the Trustee therefore considers the following risks:

Risk	Definition	How we address the risk
Changing demographics risk	The uncertainty in the actual future benefits to be paid to members, for example related to member life expectancy or the way in which members take their benefits	<ul style="list-style-type: none"> The demographic assumptions are kept under review, this is formally considered during the valuation process every 3 years.
Climate risk	The extent to which climate change causes a material decrease in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy	<ul style="list-style-type: none"> Engagement with the Adviser and fund managers to understand the potential implications for the Scheme's assets.
Concentration risk	The failure of some of the investments that constitute a significant proportion of the assets	<ul style="list-style-type: none"> The fund managers invest in a range of different asset classes and in different securities in each class. The Trustee and its advisers monitor the fund managers' activity to ensure that it remains appropriate.
Covenant risk	The employer is no longer able to support the Scheme.	<ul style="list-style-type: none"> The Trustee receives regular updates from the Employer An external covenant review takes place as part of the triennial valuation Investment strategy and funding proposals consider the strength of the covenant.
Credit risk	That one party to a financial instrument will cause financial loss for the other party by defaulting or falling in value.	<ul style="list-style-type: none"> Diversification of the Scheme's assets
Currency risk	The currency of the Scheme's assets underperforms relative to Sterling leading to losses (or gains) in the value of the asset.	<ul style="list-style-type: none"> Currency risk is monitored on a regular basis If there is ever a requirement to reduce currency risk, the Scheme would collaborate with the fund managers.
Custodian risk	Actions by or insolvency of the custodian could prejudice the ability of the Scheme to meet its liabilities	<ul style="list-style-type: none"> The Trustee has delegated all duties relating to the day to day investment management of the portfolio including oversight of custody to the fund managers.
ESG (Environmental, social and governance) risk	The need to consider environmental, social and governance factors (including, but not limited to, climate change) which the Trustee considers to be financially material, over the timescale relevant to the funding of Scheme benefits, for which those assets are held	<ul style="list-style-type: none"> Due to the passive nature of the investments in Funds, the Trustee is not able to influence ESG considerations taken at Fund level The Trustee monitors the ESG activities of its fund managers and will engage periodically Each fund manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustee monitors these and will report on the fund managers' practices in their annual Implementation Statement.
Equity risk	The risk that equities may fall in value due to fluctuations in the market	<ul style="list-style-type: none"> The Trustee has set a strategic asset allocation benchmark, the risk/return of each asset class within the benchmark is reviewed periodically. Assessment of the risk relative to liabilities by monitoring the actual return from the assets against the liabilities.
Financial mismatch risk	Scheme assets fail to grow in line with the developing cost of meeting the liabilities	<ul style="list-style-type: none"> The Trustee has set a strategic asset allocation benchmark, the risk/return of each asset class within the benchmark is reviewed periodically.

		<ul style="list-style-type: none"> Assessment of the risk relative to liabilities by monitoring the actual return from the assets against the liabilities.
Fund manager risk	A fund manager underperforms against the benchmark which they are being assessed against in the long term or fails to comply with the Investment Management Agreement.	<ul style="list-style-type: none"> Performance of the fund managers is monitored on a regular basis Regular meetings are held with the fund managers Compliance with the regulatory requirements is monitored on a regular basis The Trustee has adopted a passive investment style for the majority of the Scheme's assets that minimises the risk from underperformance by the fund managers. This approach also significantly reduces the costs of investment management.
Inflation risk	An increase in inflation would mean the real investment return could be reduced and fail to keep pace with the Scheme's requirement to pay inflation linked benefits	<ul style="list-style-type: none"> The Trustee invests in liability driven investment (LDI) funds that seeks to manage interest rate and inflation liability risks
Interest rate risk	A fall in interest rates causes the present value of liabilities to rise	<ul style="list-style-type: none"> The Trustee invests in LDI Funds that seeks to manage interest rate and inflation liability risks
Liquidity risk	The need to have sufficient liquidity to cover benefits or other financial obligations in the short-term	<ul style="list-style-type: none"> The Trustee has defined a clear process with its LDI fund manager to manage potential liquidity requirements from the LDI Fund
Operational risk	The loss or error arising from the failure of people, processes and systems, or disruption due to an external event	<ul style="list-style-type: none"> Appropriate processes and controls are integrated into business activities Key controls include segregation of duties, supervisory controls and managerial oversight and review. Business continuity plans are in place
Political risk	The level of concentration in any one market leading to the risk of a negative influence on investment values arising from political intervention of other events	<ul style="list-style-type: none"> Diversification of the Scheme's assets The Trustee assesses political risk relative to the investment strategy.
Systemic risk	The possibility of an interlinked and simultaneous failure of several asset classes and/or fund managers, possibly compounded by financial contagion, resulting in an increase in the cost of meeting the liabilities	<ul style="list-style-type: none"> Diversification of the Scheme's assets. The Trustee acknowledges it is not possible to address all possible scenarios presented within this risk category.
Any other risk as the Trustee deems appropriate with relevant input from the Adviser and other parties.		

2.6. The expected return from investments

2.6.1. When selecting investments of different kinds the Trustee will have regard to the relative investment return that each category is expected to produce. In this context, the Trustee receives information from both the Adviser, and the fund managers and, from time to time, other appropriately qualified experts.

2.6.2. The Trustee recognises the need when making these comparisons to distinguish between nominal and real returns and to make appropriate allowance for inflation.

- 2.6.3. Having established the investment policy that the fund managers are expected to follow, the Trustee monitors the performance of the fund managers. A consistent failure to achieve adequate performance could result in a fund manager being replaced.

2.7. The realisation of investments

- 2.7.1. The Trustee will consider the liquidity of a kind of investment before deciding to make an investment of that kind. In particular, they will consider liquidity in the context of the Scheme's likely need for cash in the short and longer term, the income generated from an investment of that kind and the prospects for liquidity at a future date.
- 2.7.2. Ultimately, any remaining investments will all have to be sold or transferred to either an insurance company or another authorised arrangement when the Scheme's life comes to an end. when the Scheme's life comes to an end. The Trustee is advised by the Scheme Actuary as to the solvency of the Scheme should all the assets be sold immediately. In this situation, the Trustee is aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value as shown in the accounts.

2.8. Responsible investments

- 2.8.1. The Trustee accepts its fiduciary duties as a long term investor and believes that incorporating Environmental, Social and Governance ("ESG") factors (including climate change) into investment decisions improves long term risk adjusted returns over the remaining expected lifetime of the Scheme. The Trustee further recognises that ESG factors may, however, be outweighed in appropriate circumstances by other financially material factors.

2.8.2. Selecting fund managers

The Trustee always aims to appoint the most suitable fund manager for each investment mandate. The selection process includes the fund manager's responsible investment practices and consideration of ESG factors.

2.8.3. Financially material considerations

The Trustee considers ESG factors at various steps in its investment process. The Trustee recognises that the choice of benchmark dictates the assets held by the fund managers and that the fund managers have minimal freedom to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive fund manager is to deliver returns in line with the benchmark and believe the choice of benchmarks will deliver appropriate risk adjusted returns. The Trustee will review the index benchmarks employed for the Scheme on a periodic basis.

The Trustee has not imposed any restrictions or exclusions to the investment arrangements based on factors they believe not to be financially material. The Trustee therefore expects that the fund managers will ultimately act in the best interests of the Scheme's assets to maximise returns for a given level of risk.

2.8.4. Stewardship

Where applicable, fund managers report on voting activity to the Trustee on at least an annual basis. The Trustee will monitor fund managers' voting activity and may periodically review fund managers' voting patterns. The Trustee will be reliant on the information presented by the fund managers regarding votes cast and identification of voting patterns.

The Trustee aims to meet with all their fund managers periodically. Fund managers are challenged on the impact of any significant issues including, where appropriate, ESG factors and voting policies.

At this time, the Trustee has not set stewardship priorities / themes for the Scheme but will be considering the extent that they wish to do this in due course, in line with other Scheme risks.

2.8.5. Engagement

The fund managers' house policies are expected to broadly meet with the Trustee's views, if expectations are not met the Trustee will engage with the fund manager.

The Trustee believes it is appropriate for its fund managers to engage with key stakeholders which may include corporate management of issuers of debt or equity, regulators and governance bodies, relating to their investments for the Scheme in order to improve corporate behaviours (including the management of actual or potential conflicts of interest), improve performance and strategy and mitigate financial risks (including ESG factors).

The Trustee will review engagement activity undertaken by their fund managers as part of its broader monitoring activity periodically. The Trustee believes that such engagement incentivises the fund managers to preserve and enhance long term shareholder value of its investments.

The Trustee separately considers any conflicts of interest arising in the management of the Scheme and its investments and has ensured that each fund manager has an appropriate conflicts of interest policy in place. Fund managers are required to disclose any potential or actual conflict of interest in writing to the Trustee.

2.8.6. Non-financial matters

Given the inherent uncertainty, the Trustee has not made explicit allowance for the risks of climate change in setting their strategic benchmark.

The Trustee does not have a formal policy of soliciting member or beneficiary views on non-financial matters in their investment decision making but will periodically review its position.

2.9. Performance Measurement

2.9.1. The Trustee has agreed, based on advice from the Adviser and the other appropriately qualified experts, the benchmark against which the performance of each of the fund manager is measured.

- 2.9.2. The Trustee regularly monitors actual performance against the benchmarks set. The Trustee would not expect to replace a fund manager based on short term underperformance as the focus is on longer term outcomes; this aligns with the Trustee's beliefs on corporate governance.
- 2.9.3. An agreement with a fund manager could cease within a short time frame due to other factors such as a significant change in business structure or the investment team.
- 2.9.4. The Trustee will review on a regular basis the investment performance of the Scheme's assets together with the continuing suitability of the fund managers.

2.10. Fund managers

2.10.1. Turnover

In the normal course of events the fund managers will sell investments from time to time to be replaced by others. The Trustee monitors the turnover and the transaction costs that are generated to ensure it is not excessive. The fund managers are aware that the expenses involved in transactions can affect performance and that excessive transactions may give rise to an income tax liability if it were to be regarded as trading by HM Revenue & Customs.

There are no specific targets set by the Trustee on transaction costs, the Trustee will monitor that the level of transaction costs are relative to the fund managers' strategy and adhere to the Scheme's investment strategy.

2.10.2. Duration

The agreements between the Trustee and its fund managers will continue through until the Scheme's life comes to an end, or until the lifespan of the investment ceases. The Trustee or the fund manager may take measures to end the agreement, subject to any relevant notice periods.

2.10.3. Incentives

The fund managers are paid for their services based on the value or exposure of the assets they manage for the Trustee.

The Trustee is satisfied that the fund managers are remunerated in such a way that they are incentivised to act accordance with the Trustee's policies and in the best interest of the Scheme and its beneficiaries.

3. Compliance with this statement

- 3.1.** The fund managers for the Scheme will provide the Trustee from time to time with a trading statement showing the investment or disinvestment of all monies and, not less than quarterly, a valuation statement showing the number and type of units credited to the Scheme and their current value.
- 3.2.** The fund managers will provide the Trustee with regular reports giving a summary of investment activity since the last report and a review of the performance of the Scheme's assets.
- 3.3.** A representative of the fund managers will be available to report in person to the Trustee at reasonable intervals.
- 3.4.** It is the Trustee's intention to review this statement from time to time and when they deem it necessary, to revise accordingly, taking particular note of any significant changes in the Scheme's liabilities.
- 3.5.** The Trustee will review on a regular basis the investment performance of the Scheme's assets together with the continuing suitability of the fund managers.

4. Availability

- 4.1.** A copy of this statement will be made available to the Employer, the fund managers, the Scheme Actuary and the Scheme Auditor. A copy is available on the Scheme's website www.zpen.info