FDR Limited Pension Scheme

Statement of Investment Principles

September 2023

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1. Introduction

This document constitutes the Statement of Investment Principles (‘the SIP’) required under Section 35 of the Pensions Act 1995 for the FDR Limited Pension Scheme (the ‘Scheme’). It describes the investment policy being pursued by the Trustee of the Scheme and is in compliance with the Government’s voluntary code of conduct for Institutional Investment in the UK (‘the Myners Principles’) and The Pensions Regulator’s Investment Guidance for defined benefit pension schemes. This SIP also reflects the requirements of Occupational Pension Schemes (Investment and Disclosure)(Amendment and Modification) Regulations 2018.

The Scheme Actuary is Jane Curtis of Aon, the Investment Adviser is Schroders Solutions, and the Legal Adviser is Eversheds Sutherland (collectively termed ‘the Advisers’).

The Trustee confirms that, before preparing this SIP, it has consulted with FDR Limited ('the Sponsoring Employer') and has obtained and considered written advice from the Investment Adviser. The Trustee believes the Advisers to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge of the investment arrangements that the Scheme requires.

The Trustee is responsible for the investment of the Scheme’s assets and arranges administration of the Scheme. Where they are required to make an investment decision, the Trustee always receives advice from the relevant Advisers first and they believe this ensures they are appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000 (‘FSMA’), the Trustee sets general investment policy, but has delegated the day-to-day investment of the Scheme’s assets to the Fiduciary Management (‘FM’) service of Schroders IS Limited (‘Schroders Solutions’), hereafter referred to as the ‘Investment Manager’.

The Investment Manager is authorised under the FSMA and provides the expertise necessary to manage the investments of the Scheme.

Declaration

The Trustee confirms that this Statement of Investment Principles reflects the investment strategy it has implemented for the Scheme. The Trustee acknowledges its responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these principles.

Signed . . . . . . Jo Myerson . . . .   Date . . . 28 September 2023. . . . .

2. Scheme governance

The Trustee is responsible for the governance and investment of the Scheme's assets. The Trustee considers the governance structure set out in this SIP is appropriate for the Scheme as it allows the Trustee to make the important decisions on investment policy, while delegating the day-to-day aspects to the Investment Manager or the Advisers as appropriate.

The Trustee believes it should be collectively involved in investment decision-making and have therefore decided not to appoint an Investment Sub-Committee to deal with investment matters.

The Trustee will review this SIP at least every three years, or following any changes to the investment strategy, and modify it with consultation from the Advisers and the Sponsoring Employer as necessary. There will be no obligation to change this SIP, the Investment Manager or Adviser as part of such a review.

3. Investment Objectives

The overall objective of the Scheme is to meet the benefit payments promised as they fall due. The Trustee has set the following qualitative objectives:

1. The acquisition of suitable assets, having due regard to the risks set out in Section 12 of this statement, which will generate income and capital growth to pay, together with contributions from members and the Sponsoring Employer, the benefits which the Scheme provides as they fall due.
2. To limit the risk of the assets being assessed as failing to meet the liabilities over the long term having regard to any statutory funding requirement.

In quantitative terms, the Trustee's long-term objective for the Scheme is to target an investment return objective of approximately 0.1% per annum (net of fees) in excess of the liabilities set out in the Scheme's cash flow information provided by the Trustee or the Scheme Actuary. The objectives of the Scheme are not framed relative to the performance of any other pension funds.

4. Investment Strategy

4.1 General Policies

The Trustee has delegated the investment of the Scheme assets to the Investment Manager, which has discretion to invest the Scheme assets in underlying securities and funds, either directly or through the use of other investment managers (hereafter referred to as the 'Underlying Managers') to run the portfolio on a day-to-day basis.

The Trustee's approach to investment strategy is to allocate the assets into two pools – Collateral assets and liability hedge, and Cashflow matching credit assets. The investment objective is then translated into the strategy and assets are allocated to these two components, together defined as 'Portfolio':

- Collateral assets and liability hedge, where the focus is risk management, protection and insurance relative to the liability target. Invested in, but not limited to, fixed interest gilts, index-linked gilts and risk mitigating derivatives. This pool of assets seeks to generate returns in line with the Scheme liabilities (net of fees).
- Cashflow matching credit assets, where the focus is on efficient distribution of income and capital to match a proportion of liability cashflows as well as mitigating some of the interest rate risk inherent in the liabilities. This pool seeks to generate returns of at least SONIA + 1.125% per annum (net of fees).

The Trustee has agreed, following advice from its Investment Adviser, to allocate 87.5% of the Portfolio to the Collateral assets, and 12.5% of the Portfolio to Cashflow matching credit, to achieve the overall target of

Liability Benchmark + 0.1% per annum (net of fees). The Trustee acknowledges that the allocation to Cashflow matching credit will reduce over time (unless the Scheme's asset allocation is actively rebalanced) as income and capital is distributed and therefore excluding Cashflow matching credit 100% of the remaining portfolio will be invested in Collateral assets.

4.2 Suitability

The Trustee has established a mandate with the specific aim of defining the asset management objective to be directly consistent with the liability driven objectives. As such, it considers the mandate to be suitable.

The Trustee has taken advice from the Advisers to ensure that the assets held by the Scheme and the proposed strategy is suitable given its liability profile, the Trustee's objectives, legislative requirements, regulatory guidance and specifications in the trust deed and rules governing the Scheme (the 'Trust Deed)'.

4.3 Liquidity

The majority of the assets are held in asset classes that are sufficiently liquid to be realised easily if the Trustee requires. As of July 2021, the Scheme has started the process of selling down remaining illiquid assets. As at the date of this SIP, c.1% of the Scheme's total assets remain invested in residual illiquid assets which will continue to be sold down where reasonably practicable.

4.4 Derivatives

The Trustee may enter into contracts with counterparties, including investment banks, in order to execute derivative transactions. The Trustee has taken advice on the suitability of the contracts and has delegated responsibility to the Investment Manager to implement these instruments on its behalf. Derivative instruments are typically used for risk management purposes in the portfolio. Within the Cashflow matching credit mandate this has been delegated to the underlying manager(s).

5. Monitoring

5.1 Investment Manager

The Trustee, or Advisers on behalf of the Trustee, will monitor the performance of the Investment Manager against the agreed performance objectives.

The Trustee, or the Advisers on behalf of the Trustee, will regularly review the activities of the Investment Manager to satisfy themselves that the Investment Manager continues to carry out its work competently and has the appropriate knowledge and experience to manage the assets of the Scheme.

As part of this review, the Trustee will consider whether or not the Investment Manager:

- Is carrying out its function competently.
- Has regard to the need for diversification of investments.
- Has regard to the suitability of each investment and each category of investment.
- Has been exercising their powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical.

If the Trustee is not satisfied with the Investment Manager they will ask the Investment Manager to take steps to rectify the situation. If the Investment Manager still does not meet the Trustees requirements, the Trustee will consider removing that Investment Manager and appointing another.

6. Risks

The Trustee has limited appetite for investment risk and limited tolerance for potential deterioration in the funding position. The Trustee's willingness to take risk has reduced over time as the funding position has improved. The Trustee's assessment of the Sponsor covenant is considered in its willingness to take investment risk. The limited appetite for risk has resulted in a portfolio that is a close match for the liabilities, with a high proportion of Scheme assets invested in fixed income assets.

The Trustee recognises a number of risks involved in the investment of the Scheme assets. These risks, and how they are measured and managed, include:

i. **Funding and asset/liability mismatch risk** – the risk that the funding level is adversely affected due to a mismatch between the assets and liabilities. This risk is managed in the following ways:

  - A roll forward of the liability cash flow information, as provided by the Scheme Actuary, is used to assess changes due to interest rates and inflation. The Trustee monitors this change relative to the change in asset values on a quarterly basis. The liability cash flows are reviewed following each actuarial review.
  - When setting and reviewing investment strategy, the Trustee examines how the investment strategy impacts on downside risk. Downside risk of the investment strategy is also measured by reference to the liability cash flows and can therefore be assessed as part of the quarterly review process.
  - This risk is also monitored through regular actuarial and investment reviews.

ii. **Concentration risk –** the risk of an adverse influence on investment values from the concentration of holdings is reduced by the diversification of the assets.

iii. **Mismanagement risk –** the risk of unsuitable investment activity by the Underlying Managers. This is addressed in the agreements with the Underlying Managers which contain a series of restrictions. The activity of the Underling Managers and their processes are monitored regularly by the Investment Advisers on behalf of the Trustee.

iv. **Default risk –** the risk of income from assets not being paid when promised. This is addressed through restrictions for the Investment Manager e.g. a minimum credit rating of the bonds they are allowed to buy and also a high proportion of the bonds held are government bonds which have little default risk.

v. **Organisational risk –** the risk of inadequate internal processes leading to problems for the Scheme. This is addressed through regular monitoring of the Investment Manager and Advisers.

vi. **Counterparty risk –** the risk of the counterparty to an agreement not carrying out their side of the deal. Where derivatives are used, the risk of counterparty default is reduced through the requirement in the relevant documentation that regular collateral or margin payments be made. It is also considered in the selection of counterparties and the incorporation of protection mechanisms in the documentation in the event of a downgrade in credit quality of an existing counterparty.

vii. **Cash flow risk –** addressed through the monitoring of the cash flow requirement of the Scheme to control the timing of any investment/disinvestment of assets.

viii. **Sponsor risk –** the risk of the Sponsoring Employer ceasing to exist which, for reasons of prudence, has been taken into account when setting the asset allocation strategy. The Trustee regularly reviews the covenant of the Sponsoring Employer.

ix. **Currency risk** - the risk of adverse movements in currency for non-sterling investments. This risk is mitigated through the use of currency hedging, although active decisions are delegated to the Investment Manager.

x. **Environmental, Social and Governance ('ESG') risk –** the risk of adverse performance due to ESG related factors including climate change. This is addressed by the Investment Manager's ESG assessment at the point of investment with Underlying Managers. A summary of the overall ESG characteristics in the portfolio in the quarterly governance report.

7. Other Issues

7.1 Defined Benefit Statutory Funding Requirement

The Trustee will obtain and consider proper advice on the question of whether the investments and investment strategy are satisfactory having regard to both the investment objectives and the requirement to meet any statutory funding requirements. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation at least every three years.

The Trustee will consider with the Investment Adviser and the Scheme Actuary whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the statutory funding requirement.

7.2 Corporate Governance and Stewardship Policy

The Trustee and Investment Manager have agreed, and will maintain, formal agreements setting out the scope of the Investment Manager's activities, charging basis and other relevant matters. The Investment Manager has been provided with a copy of this SIP and is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995.

The Trustee has appointed the Investment Manager to implement the Scheme's investment strategy. The Investment Manager manages assets directly on behalf of the Trustee as well as having delegated authority to appoint, monitor and change the Underlying Managers.

The Investment Manager is appointed to carry out its role on an ongoing basis. The Trustee periodically reviews the overall value-for-money of using Schroders Solutions, and information in relation to costs associated with investing is included in the quarterly monitoring report. The Trustee is satisfied that these arrangements incentivise the Investment Manager:

- to align its investment strategy and decisions with the Trustee's investment policies, such as their return target and the restrictions detailed in the Investment Management Agreement, and
- to assess and make decisions based on the medium- to long-term financial and non-financial performance of issuers of debt or equity, and to engage with such issuers to improve this medium- to long-term performance. The success of such engagement will contribute to the Scheme's performance, which is measured relative to the Trustee's long-term performance objectives.

The Scheme's investments are generally made via pooled investment funds, in which the Scheme's investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes (such as capital structure) or other financially material considerations, is delegated to the Underlying Managers.

The Trustee has delegated responsibility for monitoring and voting on decisions relating to their Underlying Manager holdings to the Investment Manager. The Investment Manager has in place a voting policy which sets out how it will aim to vote at a general meeting of a pooled fund. For any special resolutions or extraordinary general meetings, the proposed votes of the Investment Manager are subject to additional sign-off by the appropriate representative from the Investment Manager.

The Investment Manager undertakes regular reviews of all Underlying Managers. These reviews incorporate benchmarking of performance and fees, with some managers on performance-related fees as well as performance reviews (including understanding key drivers of performance), investment due diligence meetings and operational due diligence reviews. The Investment Manager reviews the governance structures of Underlying Managers, as well as assessing whether their fees, expenses (and any other charges) are in line with industry peers at inception and from time to time whilst invested.

Where it can be determined, the Investment Manager assesses whether Underlying Manager remuneration arrangements are aligned with the Trustee's objectives. The method and time horizon for evaluating and remunerating Underlying Managers is determined by criteria set by the Investment Manager, as detailed above.

The Trustee acknowledges the inherent potential for conflicts of interest which exist as part of ongoing Investment management business activities. As an FCA regulated firm, the Investment Manager is required to prevent or manage conflicts of interest. Where Underlying Managers are also regulated, they are likely to be subject to such requirements to manage conflicts of interest as are applicable in their jurisdiction of incorporation or operations. The Investment Manager directly monitors these as part of their regulatory filings (where available), the Investment Manager also monitors this as part of ongoing review. The Investment Manager's Conflict of Interest policy is available publicly here:

https://www.schroders.com/en/identification-and-management-of-conflicts-of-interest/#:~:text=A%20conflict%20arises%20where%20the,the%20advantage%20of%20the%20other

The Investment Manager oversees the turnover costs incurred by Underlying Managers as part of its ongoing monitoring process and evaluates such costs to determine if they are in line with peer groups and the Investment Manager's expectations. Where there are material deviations the Investment Manager engages with Underlying Managers to understand the rationale for such deviations and take appropriate action.

7.3 Additional Voluntary Contributions (AVCs)

The Scheme provides a facility for members to pay AVCs to enhance their benefits at retirement. Members are offered a range of funds with Legal & General in which to invest their AVC payments. The Trustee objective is to provide a range of funds which will provide a suitable long term return for members, consistent with members' reasonable expectations.

7.4 Realisation of Assets

The majority of assets are held in pooled funds, most of which can be realised easily if the Trustee so requires. Whilst the Investment Manager currently holds illiquid investments on behalf of the Scheme, the Investment Manager is not permitted to invest in any further illiquid assets, and has begun to sell down remaining illiquid assets.

7.5 Non-financial matters

The Trustee does not at present take into account non-financial matters (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as there is no likely common view on any ethical matters which members are likely to hold. At this time the Trustee has no plans to seek the views of the membership on ethical considerations. This policy is reviewed periodically.