GREEN GROUP RETIREMENT BENEFITS PLAN
Statement of Investment Principles

1. Introduction

This edition of the Statement has been prepared by the Trustees of the Green Group Retirement Benefits Plan (The Plan) in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended) and Regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005, and any subsequent additional regulations. It supersedes the previous edition adopted by the Trustees on 1 October 2019.

In preparing this edition the Trustees have taken appropriate written advice from a suitably qualified individual, Simon Jagger FIA, Director of Jagger & Associates Limited. The Trustees have also consulted with the sponsoring employer. This Statement is consistent with the Plan's governing documents.

The Plan provides final-salary related benefits and is registered with HM Revenue and Customs. There is no formal employer-related investment made by the Trustees, and none is intended. The employer intends to remit all relevant contributions to the Trustees within the relevant timescales.

2. Delegation of Investment Management

The Trustees invest in a Global Equity fund provided by BlackRock Life Limited, a High Yield bond fund provided by Royal London Asset Management (RLAM), and a Global Equity fund provided by Fundsmith. The details of the managers' appointments, covering the roles of the various parts of their organisations, and their various subsidiaries and associated companies, are covered in the proposal forms and in any legally valid subsequent amendments thereof. The providers, where relevant, are suitably authorised under the Financial Services and Markets Act 2000.

The Plan also has pension policies relating to certain deferred members with Aviva (formerly Norwich Union) Insurance Company. As these policies mature, cash sums become available either for the purchase of annuities or for investment in the funds outlined in Section 3 below – the Trustees receive advice from the scheme actuary regarding the election of a lump sum or an annuity. The Plan's policies with Aviva which relate to pensioner members are not included here, as there are no strategic investment decisions to be made in respect of these.

The Plan also has annuity contracts relating to certain members (including pension increases), held via Legal & General Assurance Society. These contracts remain assets of the Plan.

The Plan also holds a number of individual commercial properties directly. These directly-held properties are managed day to day by the Employer under a Management Agreement with the Trustees. The Employer reports to the Trustees via the Investment Subcommittee.

The Trustees consider these investment products and direct investments to be appropriate investments for the Plan. In deciding to invest in these funds and direct investments, the Trustees sought advice from their professional advisers as to the products' and direct investments' suitability. The Trustees will review their decision from time to time with their advisers.

3. The Investments Held

The BlackRock assets are held in a Global Equity Index Fund within the Aquila Life range. Other Aquila Life funds can also be used (the (Sterling) Corporate Bond Fund, the UK Gilt Index Fund and the Euro Corporate Bond Fund). The RLAM assets are in a Sterling Extra Yield Bond Fund. The Fundsmith assets are in an actively managed Global Equity fund.

The initial allocation (excluding the annuities but including directly held properties) is broadly 22% Global Equity, 23% direct Property, 44% RLAM High Yield, 11% Fundsmith Sustainable, and currently 0% Sterling/Euro Corporate Bonds and 0% Gilts. Net cashflows will normally be used in order to move the Plan back to the benchmark allocation, but one-off adjustments may be used where necessary. The Trustees will keep the allocation of the Plan's assets under review, and the SIP will not be revised unless there is a change of more than 10% for any of the initial allocation values or a new asset class is introduced.

The Aquila Life World Index Fund is a passively managed global equity fund, and aims to track the FTSE All World Developed Index. It can move between currency hedged and unhedged versions without triggering a review of the SIP, although the hedged version would be through holding separate UK and World ex UK products rather than a single fund.

The Aquila Life (Sterling) Corporate Bond Index Fund, when held, aims to track the relevant iBoxx £ Non-Gilts Index. The Aquila Life Euro Corporate Bond Index Fund, when held, aims to track the Citigroup Non-EGBI EuroBIG index. The Aquila Life UK Gilt Index Fund, when held, aims to track the relevant FTSE UK Gilts Index.

The SIP will not be reviewed just because of movements between all-dated and long-dated versions of the Aquila Life fixed income products.

The Royal London Sterling Extra Yield Bond Fund is an actively managed bond fund that invests in conventional high yield stocks (defined as corporate bonds of lower than investment grade) and in unrated corporate bonds.

The Fundsmith Sustainable Equity fund is an actively managed fund that invests in equities on a global basis. Its benchmark is the MSCI World index. It will not invest in businesses which have substantial interests in any of the following sectors: Aerospace and Defence, Brewers, Distillers and Vintners, Casinos and Gaming, Gas and Electric Utilities, Metals and Mining, Oil, Gas and Consumable Fuels, Pornography, Tobacco.

The directly held properties currently relate to UK commercial industrial units with multiple tenants, but further properties may be added without triggering a review of the SIP. Temporary cash holdings can arise as direct properties are being bought or sold, and will not trigger a review of the SIP, unless the cash is not going to be reinvested in direct properties.

Full details of the investment restrictions placed on the managers (including restrictions in relation to the allocation of assets, credit limits, and the use of asset classes such as derivatives and foreign currency) are contained within the investment agreements mentioned above and in the individual products' documentation produced by the investment managers. The Trustees have placed no additional constraints on the fund managers.

4. Expected Return on Investments

Global Equity products are designed to produce a return in excess of both general salary and price inflation over the long term. The passive product used by the Trustees is expected to enhance the real value of the Plan's assets over the long term, which is a fundamental element of the Trustees' investment policy. Although the Aquila Life Global Equity product has the expectation of higher long-term returns, the fund may produce volatile absolute returns over short-term periods. However, the Aquila Life Global Equity product will aim to produce a return in line with the FTSE All World Developed Index to within +/-0.3% p.a. over three-year periods.

The Aquila Life Sterling Corporate Bond product may produce more volatile absolute returns over short-term periods than a gilt product would. However, in the longer term, it is the Trustees' expectation that the fund will produce a return in line with the relevant iBoxx Sterling Non-Gilt Index to within +/- 0.3% p.a. over three-year periods.

The Aquila Life Euro Corporate Bond product may produce more volatile absolute returns over short-term periods than a sterling corporate or gilt product would. In the longer term, it is the Trustees' expectation that the fund will produce a return in line with the Citigroup Non-EGBI EuroBIG Index to within +/- 0.3% p.a. over three-year periods.

The Aquila Life UK Gilt Index Fund aims to produce a return in line with the relevant FTSE UK Gilts Index to within +/- 0.2% p.a. over three-year periods.

The Royal London Sterling Extra Yield Bond Fund aims to achieve a high level of income, and seeks to achieve a gross redemption yield of 1.25 times the gross redemption yield of the FTSE Actuaries British Government 15 Years Index. In addition, RLAM and the Trustees broadly expect the fund to outperform the iBoxx Sterling Non-Gilts All Maturities Index by 1.5% p.a. (before fees) over rolling three-year periods.

The Fundsmith Sustainable Equity fund does not have a specific outperformance target, but the Trustees broadly expect the fund to outperform the MSCI World index by 3% p.a. over rolling three-year periods.

The direct properties are expected to produce returns in excess of a pooled core property fund, due to the industrial sector focus and the secondary nature of the properties involved. The return is also anticipated to be improved by the absence of pooled fund management charges and by utilisation of proven expertise in property management, which forms part of the Principal Employer's commercial activities.

The investment performance of the Plan is monitored quarterly on an independent basis through a report from Jagger & Associates.

5. Risk Management and Risk Measurement

The Trustees are satisfied that their managers are prudent and professional in their general approach to investment. The investment products used involve holding units in pooled funds that maintain diversified portfolios of underlying assets (e.g. shares, bonds, equity funds, and other financial instruments). This reduces the risk to the Plan and members of investing in any specific individual asset. The directly held property assets involve a range of tenants, which should diversify some of the asset specific risk involved in purchasing direct property. The use of a passively managed fund for the some of the Global Equity exposure removes much of the risk involved in a purely active investment strategy.

The Trustees will keep the asset allocation under review, and risk measurement forms part of the performance monitoring process.

6. Realisation of Investments

The Trustees' policy is to ensure that the assets invested are sufficiently realisable to enable the Trustees to meet their obligations to provide benefits as they fall due. The Trustees are satisfied that the arrangements in place conform to this policy. The directly held properties are significantly less liquid than the Plan's pooled investments. However, the Trustees monitor their net cashflow position, the likely need to realise capital, and hence any effect on asset allocation and the choice of investment funds.

7. Additional Voluntary Contributions

The Plan has available facilities with Prudential for members who wish to contribute to enhance their retirement benefits, but it is not open to new accounts. The Trustees believe these to be appropriate facilities for this purpose, but note that the decisions on the level of contributions paid and the funds used rest entirely with the members.

8. Environmental, Social and Governance (ESG) Considerations including Voting and Engagement

In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest most of the Plan's assets in pooled funds and cannot therefore directly influence the environmental, social, and governance policies and practices of the companies in which the pooled funds invest. Instead, they have delegated the responsibility for these matters to their investment managers, who will from time to time report on their current and future actions in these areas.

The Trustees look to consider, in so far as they have discretionary power to do so, non-financial matters such as the environmental impact and sustainability considerations of the Plan's investments. This may directly impact on the investment policy where such factors are deemed important to the value, selection, retention and realisation of the investments and within the wider economic system.

The Trustees will consider a manager's ESG credentials during their appointment process, and will ask for at least an annual written update on each manager's activity for the products used by the Trustees. The Trustees will include a statement in the annual report to advise members that this has been done.

As the Trustees use pooled funds for their non-property investments, their asset managers are not incentivised to align their investment strategy and decisions with the Trustees' policies, nor are they incentivised to make decisions based on assessments about medium to long-term performance of an issuer of debt or equity, nor to engage with those issuers in order to improve their performance. However, the managers may make such decisions and/or engage of their own accord.

Performance monitoring, manager remuneration and duration of manager appointments are covered elsewhere in this Statement, or in the Trustees' Annual Report. As the Trustees use pooled funds and direct property, there is no targeted portfolio turnover or turnover range.

As the Trustees use pooled funds and direct property, they do not need to have an engagement policy in relation to monitoring the capital structure of companies they invest in, or any associated potential conflicts of interest.

From 1 October 2020 the Trustees will publish their SIP online for general public access.

In addition, from 1 October 2021, the Trustees will publish annually online an engagement policy implementation statement that outlines how the various requirements (set out above) have been followed during the year, and describes the voting behaviours of the asset managers on their behalf.

9. Compliance

The Trustees will formally review this statement as and when required, at least triennially, with the assistance of their advisers. A copy of this statement is available for inspection by Plan members.

This statement has been agreed by the Trustees.

Signed on behalf of the Trustees by the Trustees of the Green Group Retirement Benefits Plan

October 2020