THE DENHOLM PENSION SCHEME
STATEMENT OF INVESTMENT PRINCIPLES – 7TH EDITION

OCTOBER 2022

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1 INTRODUCTION

This Statement of Investment Principles (the "Statement") has been prepared by the Trustees of the Denholm Pension Scheme (the "Scheme") in accordance with Section 35 of the Pensions Act 1995 (as amended by the Pension Act 2004) and The Occupational Pension Schemes (Investment) Regulations 2005.

The Statement outlines the principles governing the investment policy of the Scheme and the activities undertaken by the Trustees to ensure the effective implementation of these principles.

In preparing the Statement, the Trustees have:

- obtained and considered written advice from a suitably qualified individual, employed by their investment consultants, Mercer Limited ("Mercer"), whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustees' investment policy for the Scheme.

The Trustees will review the Statement formally at least every three years to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. Furthermore, the Trustees will review the Statement without delay after any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

This Statement supersedes all previous versions of the Statement.

2 INVESTMENT OBJECTIVES

The Trustees' primary objective is to endeavour to meet their obligations to the beneficiaries both in the short and long term, whilst minimising risk as far as possible. To this end, all of the Scheme assets were used to fund the purchase of two bulk annuity contracts with Aviva Life and Pensions UK Ltd ("Aviva"). The Trustees entered into the bulk annuity contracts with Aviva on 15 September 2021 and 31 May 2022 respectively to secure 100% of the Scheme's known liabilities. Under these contracts the insurer is obligated to make payments to the Trustees in order to meet the Scheme's liabilities to those beneficiaries insured under the policies.

The Trustees' key short term objective is to ensure an efficient progression towards an insurer buy-out of the Scheme's known liabilities, with the aim of achieving an appropriate discharge of liability in respect of known obligations in accordance with the Scheme's governing documentation and relevant legislation.

In due course, in order to complete the buy-out, the known members' benefits will be secured by means of individual annuity policies directly with the members, in accordance with the terms of the bulk annuity contracts. The Scheme will then be wound up. The aim is to complete the Scheme's buy-out and wind-up as soon as practicable.

The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended). The Trustees selected Aviva as the Scheme's annuity provider having obtained and considered the written advice of Mercer whom the Trustees considered to be suitably qualified to provide such advice at the time of entering into the contract.

The objective set out above and the risks and other factors referenced in this Statement are those that the Trustees determines to be financially material considerations in relation to the Scheme.

3 INVESTMENT STRATEGY

The Trustees have adopted the following investment strategy for the Scheme which has been effective since 31 May 2022:

Portfolio	Allocation	Description
Bulk Annuities	**100.0**	Buy-in contracts under which the insurer is obligated to make payments to the Trustees to meet the Scheme's liabilities.

The Trustees hold bulk annuity contracts with Aviva that were purchased in September 2021 and May 2022 and which cover all known liabilities. The Trustees had, in recent history, conducted various buy-in/outs on sections of the Scheme in the past, a summary of which is shown below:

Tranche	Provider	Year	Summary
1	**L&G**	2008	Pensioner buy-in subsequently converted to buy-out
2	**L&G**	2010	Pensioner buy-in subsequently converted to buy-out
3	**Aviva**	2011	Pensioner (plus a legacy category of deferred pensioners) buy-in subsequently converted to buy-out
4	**Aviva**	2013	Pensioner buy-in subsequently converted to buy-out
5	**Just**	2017	Pensioner buy-in subsequently converted to buy-out
6	**Aviva**	2021	Pensioner buy-in
7	**Aviva**	2022	Deferred and pensioner buy-in (most recent full buy-in of remaining uninsured Scheme members)

4 RISK MEASUREMENT AND MANAGEMENT

The Trustees are aware of, and pay close attention to, a range of risks inherent in investing the assets of the Scheme. The Trustees have sought to mitigate key risks by the purchase of the bulk annuity contracts. The Trustees believe the following risks may be financially material over the future lifetime of the Scheme (i.e. before completing buy-out and windup).

Failure of the bulk-annuity provider (counterparty risk): The risk that, between now and the completion of the buy-out, Aviva may default on their obligations under the buy-in contracts. To mitigate this risk, before entering into the buy-in contracts the Trustees took appropriate advice and paid close attention to the financial strength, security and operational soundness of the chosen annuity provider at the point of purchase.

Illiquidity: The Trustees do not expect to be able to obtain cash from the buy-in policies other than to meet promised benefits as agreed with the provider. The Trustees have considered this and has set aside a small amount of cash, held in the Trustee Bank Account, in order to meet expenses and other potential liquidity needs. They have also agreed a loan facility with the Sponsoring Employer and the Sponsoring Employer meets Scheme expenses directly.

5 DAY-TO-DAY MANAGEMENT OF ASSETS

The Scheme has buy-in contracts with Aviva which account for the vast majority of the Scheme's assets. The residual assets are held in cash in the Trustee Bank Account, which is managed by the company, J. & J. Denholm Limited.

6 ADDITIONAL ASSETS

The Trustees also have in place an Additional Voluntary Contribution policy and a Retirement Account Plan, both with Standard Life. These were established to receive special payments and money purchase type transfers. Investments are primarily in Standard Life's With Profit policies in addition to minor amounts in other Standard Life funds. No further funds are permitted to be invested in these policies. The Trustees believe it is appropriate to continue holding these funds in the short-term. They will take advice in due course on an approach to discharging these ahead of Scheme wind-up.

7 INVESTMENTS/ DISINVESTMENTS

The Scheme's liabilities are met by the annuity contracts with Aviva. Aviva are responsible for the realisation of assets within the bulk annuity contracts in order to make the payments due under the contract.

Any further investments and disinvestments from the Scheme will be at the discretion of the Trustees.

The current disinvestment framework for the Scheme uses the Trustee Bank Account as a reserve to meet the Scheme's ongoing cashflow requirements.

8 INVESTMENT MANAGER TERMS AND CONDITIONS

The Scheme holds insurance policies written by Aviva, which is authorised by the Prudential Regulation Authority (“PRA”) and regulated by the PRA and the Financial Conduct Authority (“FCA”). Under the policies, Aviva are obligated to make payments to the Trustees in order to meet the Trustees’ liabilities to the Scheme’s beneficiaries, in respect of the benefits insured under the respective policies. Aviva’s liabilities are to the Trustees and not to the underlying beneficiaries at the present time.

9 RESPONSIBLE INVESTMENT AND CORPORATE GOVERNANCE

The Trustees believe that environmental, social and governance ("ESG") factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

However, since the Scheme's principal asset is a bulk annuity contract, it is not possible in practice to take ESG factors into account in the retention and realisation of these investments. As noted above, the Trustees obtained and carefully considered professional advice before entering into the bulk annuity contract, including the selection of Aviva as insurer.

Given the nature of the Scheme's investment policy, member views and non-financially material considerations are not taken into account in the selection, retention and realisation of investments.

10 MONITORING OF INVESTMENT MANAGERS, ADVISERS AND DECISION MAKING

10.1 Investment Advisor

The Trustees continually assess and review the performance of their advisor, Mercer.

To do so, the Trustees consider the objectives they set for its investment adviser in the document entitled "Strategic Objectives for Investment Consultancy Services" which was signed and formally adopted by the Trustees in October 2019.

10.2 Investment Managers

Following the implementation of the Scheme's latest bulk annuity policy with Aviva in May 2022, none of the Scheme's assets are invested through investment managers.

11 COMPLIANCE WITH THIS STATEMENT

Signed in line with the Occupational Pension (Investment) Regulations (2005), the Trustees are required to review the Statement at least every three years and without delay after any significant changes in investment policy. Any such review will be based on written investment advice and the Sponsoring Employer will be consulted.

The Trustees will review this Statement in response to any material changes to any aspects of the Scheme, its liabilities, its finances and the attitude to risk of themselves and the Sponsoring Employer which they judge to have a bearing on the stated investment policy.

This Statement is available to members upon request.

Signed on behalf of the Trustees by	**...**	**...**
On	**...**	**...**
Full Name	**...**	**...**
Position	**...**	**...**