Statement of Investment Principles

Palmer Timber Limited Retirement Benefits Scheme

July 2021

Contents

1. Introduction

1.1 What is a Statement of Investment Principles ("SIP")?

It is a document issued by Fairfield Pension Trustees Limited ("the Trustee") as Trustee of the Palmer Timber Limited Retirement Benefits Scheme ("Scheme") setting out the policy on the investment of pension Scheme assets.

1.2 Why is it required?

The SIP is designed to meet the requirements of Section 35 of the Pensions Act 1995 (the "Act") and all subsequent legislation, Regulations and guidance from the Pensions Regulator applying to UK pension schemes.

1.3 What does it cover?

Section 2 of the Regulations sets out those matters that must be covered in a SIP, and which include the Trustee's policy in relation to:

- the kinds of investments to be held;
- the balance between different kinds of investments;
- risks, including the ways in which risks are to be measured and managed;
- the expected return on investments;
- the realisation of investments; and
- the extent (if at all) to which social, environmental or ethical considerations are taken into account in the selection, retention and realisation of investments.

The Regulations also state that the SIP must cover the Trustee's policy (if any) in relation to the exercise of the rights (including voting rights) attaching to the investments.

This SIP also reflects the Trustee's response to the voluntary code of investment principles set out in Paul Myners' publication "Institutional Investment in the United Kingdom: A Review".

The Pension Regulator's Code of Practice 13, which was published in July 2016, has also been considered by the Trustee when drafting this SIP.

The SIP also takes into account the Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018 for policy on financially material considerations, including Environmental, Social and Corporate Governance ("ESG") factors (including climate change), their stewardship policy (voting and engagement) and their approach to member views (if any).

1.4 Whom does it concern?

The document is produced as evidence of compliance with the Act and other relevant legislation, and to provide the opportunity for members, professional advisers, the investment managers and the Sponsoring Employer to understand and comment on the Trustee's policy on investment.

1.5 Scheme details

The Scheme is a registered pension scheme with HM Revenue & Customs under the Finance Act 2004.

The Scheme’s assets are held under Trust which is administered by the Trustee. The investment powers of the Trustee are set out in the Scheme’s Trust Deed.

The Scheme is a defined-benefit pension scheme and is closed to future accrual. The Scheme retains a small defined-contribution element in respect of members’ Additional Voluntary Contributions (“AVC”).

1.6 Duties and responsibilities

The Trustee has established the duties and responsibilities of various parties and this is outlined in the table below:

Trustee	Investment manager
Monitor actual returns versus the Scheme's investment objective.	Operates within the terms of the written contracts.
Set structures and processes for carrying out its role.	Select individual investments with regard to their suitability and diversification.
Select and monitor planned asset allocation.	Advises Trustee on the suitability of its benchmark.
Select & monitor investments.	**Investment adviser**
Select & monitor investment advisers and fund managers.	Advises on all aspects of the investment of the Scheme's assets, including implementation, when requested by Trustee.
Agree structure for implementing investment strategy.	Advises on this SIP.
Make ongoing decisions relevant to the operational principles of this SIP.	Provides required training.

2. Investment policy

It is the policy of the Trustee, after taking appropriate written advice from its investment advisers and in consultation with the Sponsoring Employer, to set the investment strategy for the Scheme, following a consideration of its objectives and other related matters.

The Trustee takes a long term view on investments given the Scheme's cash flow; membership; and the strength of covenant of the Sponsoring Employer.

It is the Trustee's policy that the Scheme should only invest in derivative instruments in so far as it contributes to a reduction in risk or facilitates efficient portfolio management.

It is the Trustee's policy not to invest in the Sponsoring Employer.

The Trustee's policy is to review its investments and to obtain written advice about them from time to time. When deciding whether or not to make any new investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the investment managers.

The written advice will consider the issues set out in the Regulations and the principles contained in this SIP. The Regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the investment managers) against the following criteria:

- the best interests of the members and beneficiaries;
- security;
- quality;
- liquidity;
- profitability;
- nature and duration of liabilities;
- tradability on regulated markets;
- diversification; and
- use of derivatives.

3. Investment objectives

The Trustee reviews its investment objectives from time to time and amends them accordingly. A review is usually carried out in advance of each triennial actuarial valuation of the Scheme.

The Trustee recognises the need to invest in a manner which helps ensure that the benefits promised to members are provided. Over the long term, this requires that a rate of return is achieved which supports the long term funding plan which has been discussed with the Sponsoring Employer. In the short term, it means managing the volatility of assets relative to the value of liabilities.

4. Investment strategy

The Trustee has, after taking appropriate written advice from its investment advisers and in consultation with the Sponsoring Employer, decided upon an asset allocation which seeks to meet the Scheme's objectives and also reflects the Scheme's investment policy.

The details of this investment strategy are outlined in Appendices 1 and 2 together with acceptable maximum and minimum tolerances for each asset class and manager, in order to maintain the integrity of the strategy and its ability to meet the investment objectives.

This strategy is reviewed periodically in order to assess its on-going suitability relative to the Scheme's objectives and investment policy.

An investment strategy review was carried out by the Scheme's advisers in 2019 and will be reviewed periodically to seek to ensure that the Scheme's asset allocation remains appropriate given the technical provisions of the Scheme.

The Scheme's asset allocation will be monitored periodically to ensure that it remains within its tolerances. If either an asset class or a manager allocation moves outside the stated tolerances of the strategy, it is the Trustee's policy to review the reasons behind the breach and to seek advice from their investment adviser.

5. Selection & monitoring of investment managers

5.1 How does the Trustee select investment managers?

Prior to the appointment of an investment manager, the Trustee will seek appropriate advice from its investment advisers, and may, in certain circumstances, feel it necessary to undertake a manager selection exercise which would be co-ordinated by the Trustee's investment advisers.

5.2 How does the Trustee monitor the ongoing suitability of each manager?

The Trustee monitors the suitability of the investment managers by regularly reviewing manager reports, valuations and factsheets of each individual fund held by the Scheme.

Annually the Trustee reviews with the Scheme's investment advisers, each manager's annual and rolling three year investment performance taking into account the investment managers' benchmarks.

The appointment of any investment manager can be terminated (subject to notice) at any time if the investment manager is considered by the Trustee, or their investment advisers, to be no longer suitable for the mandate for which it was appointed.

The Trustee will discuss an annual review of the investment managers' internal controls reports (AAF 01/06) with its investment adviser and/or auditor, as appropriate.

5.3 Custodians

The Scheme's investments are through pooled investment vehicles. Therefore, there is no need for the Trustee to formally appoint a custodian as the investment comprises units held in listed investment vehicles rather than the underlying stocks and shares.

However, the underlying managers have appointed custodians for the safe custody of assets, and these are detailed in Appendix 2.

5.4 Manager agreements

The Trustee selects investment managers and funds which are appropriate to implement the investment strategy. The relationship with the managers is open ended and is reviewed on a periodic basis.

The Trustee has signed the appropriate policy documents, agreements and application forms with the investment managers and Mobius Life Limited ("Mobius Life"), setting out in detail the terms on which the portfolio is managed, including the need for suitable and appropriately diversified investments.

The Trustee keeps the appointment of all investment managers, AVC providers and Mobius Life under review and will seek to replace any managers, funds or implementation solutions, which no longer remain appropriate to implement the Scheme's investment strategy.

The Trustee holds policy documents with Aviva for the AVC Section.

5.5 How are various parties who are involved in the investment of the Scheme's assets remunerated?

Quantum is remunerated on a fixed fee or time-cost fee basis, with budgets agreed for projects where possible.

The Scheme invests in pooled funds. The Trustee notes that the investment strategy and decisions of the fund managers cannot be tailored to the Trustee's policies and the managers are not remunerated directly on this basis. However, the Trustee, with the help of Quantum, set the investment strategy for the Scheme and select appropriate managers and funds to implement the strategy.

The Trustee does not directly incentivise the investment managers to engage with the issuers of debt or equity to improve their performance. The Trustee does, however, expect the investment managers to participate in such activities as appropriate and necessary to meet the investment objectives of the respective fund. The funds utilised typically include an objective that is expected to result in a positive return over the medium-to-longer term and, as such, the investment managers engagement with the issuers of debt or equity is expected to be undertaken so as to target medium-to-long term value creation.

The Trustee considers the fees and charges associated with each investment before investing.

The investment managers and Mobius Life are remunerated on an ad valorem fee basis, which is calculated as a fixed percentage of the total value of the Scheme's funds they hold under management. This structure has been chosen to align the fund managers' and Mobius Life's interests with those of the Scheme.

6. Implementation solution

6.1. Implementation solutions in general

An implementation solution is a facility that enables pension schemes to buy, sell and hold their investments all in one place. This can allow greater flexibility and efficiency when switching investments as the scheme strategy changes or fund managers have to be replaced. The administrative burden in undertaking the transitions and the associated costs are thus reduced, allowing for the potential for a more efficient implementation of the strategy at a potentially lower cost.

The centralisation of funds should also allow consolidated reporting to be obtained more easily and more regularly. All of these features should allow pension schemes greater administrative efficiency, enhanced ease of strategy implementation and potential fee reductions.

6.2. Accessing the implementation solution

Each pension scheme enters into a unit linked life policy through a Trustee Investment Policy ("TIP"). The policy's value is linked to the underlying investments, which the implementation solution provider, in this case Mobius Life, has been directed to purchase. Mobius Life is responsible for investing into the underlying funds and takes responsibility for the relationship with the underlying fund managers. This includes transactions, reporting and governance. This differs from a traditional relationship that pension schemes would have had with fund managers where they would have invested directly with these managers and maintained a number of these individual relationships.

6.3. Safeguarding and protection of Mobius Life assets

There are a number of regulatory layers of protection in relation to the Scheme's assets with Mobius Life. The key points to note are set out below.

- The Scheme's assets are held in a Pooled Life Fund, which is held separately to Mobius Life's shareholder and other Company assets.
- Submissions are made to the Prudential Regulation Authority and Financial Conduct Authority on a regular basis, which require the Mobius Life Board and an independent qualified actuary, the Actuarial Function Holder, to monitor the solvency of the Mobius Life business in relation to regulatory capital requirements. Mobius Life have appointed an independent qualified actuary to carry out this function, and any regulatory capital calculations are audited by the independent auditors.
- Mobius Life undertakes an annual Own Risk and Solvency Assessment ("ORSA") together with the Actuarial Function Holder, as part of regulatory requirements of running an insurance company.
- Mobius Life's 'Security of Assets' document states that Mobius Life is a regulated life insurance company and that the Scheme has access to the Financial Services Compensation Scheme ("FSCS") in the event of Mobius Life becoming either insolvent or liquidated. The level of cover provided by the FSCS is currently 100% of the policy value when investing in insurance policies, with no upper limit, if Mobius Life defaults.

7. Risks

7.1 Control of risks

In order to achieve its objectives, the Trustee recognised the need to take some investment risk. The Trustee has identified the following risks:

- the risk of a deterioration in the funding level;
- the risk that investment returns in general will not achieve expectations;
- the risk that an investment manager, whilst maintaining the value of assets, will not achieve the expected rate of return;
- the risk that the value of liabilities will increase due to changes in actual and expected inflation and interest rates;
- the risk that the value of liabilities will increase due to factors such as increased life expectancy;
- the risk of mis-match between the value of Scheme assets and liabilities;
- the risk of a shortfall in the liquid assets held by the Scheme relative to its immediate liabilities;
- the risk that the performance of any single investment within the Scheme may disproportionately affect the ability of the Scheme to meet its overall investment objectives;
- the risk of misappropriation, unauthorised use or mis-delivery of Scheme assets; and
- the risk of adverse performance due to ESG related factors, including climate change. This is addressed by the investment managers' ESG assessment at the point of investment.

The Trustee recognises these different types of risk and seeks to minimise them as far as possible by the use of regular monitoring of investment performance, by a deliberate policy of diversification, by taking into account the timing of future payments and by regularly reviewing the appropriateness of the prevailing strategy against the Scheme's objectives.

7.2 Conflicts of interest

The Trustee considers any potential and actual conflicts of interest (subject to reasonable levels of immateriality) at the start of each Trustee meeting and documents these in the minutes. The Trustee also maintains and reviews the conflicts of interest policy and register at each Trustee's meeting.

7.3 Capital structure of investee companies

The responsibility for monitoring the capital structure of investee companies (including any relevant developments) is delegated to the investment managers. Investment managers are expected to partake in a sufficient level of monitoring and action that is appropriate to the nature of the mandate.

8. Financially material considerations, non-financial matters and stewardship policies

8.1 Financially material considerations

- The Trustee acknowledges the potential impact upon the Scheme’s investments (both in terms of risk and return) arising from financially material matters.
- The Trustee defines these as including, but not limited to, ESG factors.
- Environmental concerns include climate change, energy efficiency, waste and pollution and scarcity of water and other resources.
- Social concerns include human rights, health & safety at work, welfare and other working conditions, and responsibility for the wider community in which a business operates.
- Corporate Governance concerns include audit quality, board structure, remuneration policy, shareholder and other stakeholder rights.
- The Trustee expects the Scheme’s fund managers to have integrated environmental, social and governance concerns into their risk analysis and investment process.
- The Trustee will try to ensure that it manages all new and existing investment arrangements in a way that it takes account of environmental, social and governance matters.
- In monitoring the performance of its direct investments and/or fund managers, the Trustee will also regularly consider how they are performing with reference to environmental, social and governance concerns, including their continuous monitoring of these issues, principles and processes and making their records of engagement available to investors.
- Given the systemic nature of climate change, the Trustee will also seek to discharge its duties by robust engagement with its direct investments and/or fund managers, to encourage alignment with a low carbon economy and with policy-makers and governments to advocate for the same. The same level of engagement will apply to other environmental concerns, and social and governance concerns.

The Trustee has given the fund managers full discretion when evaluating environmental, social and governance issues and in exercising rights, engagement activities, and stewardship obligations attached to the Scheme's investments

8.2 Stewardship

The Trustee’s appointed fund managers have signed the United Nations Principles for Responsible Investment aspirational principles aiming for a more sustainable global financial system.

The Trustee has given the fund managers full discretion when evaluating environmental, social and governance issues and in exercising rights, engagement activities, and stewardship obligations attached to the Scheme's investments. The Trustee expects fund managers to report at regular intervals on their actions, including:

- the extent to which Environmental, Social and Governance (ESG) considerations are incorporated into investment decisions;
- the portfolio's exposure to tobacco, alcohol, gambling, defence and fossil fuel stocks;
- the proportion of the portfolio which can be assigned an ESG score by an ESG data provider;
- that proportion's asset-weighted ESG score according to the ESG data provider; and
- examples of impact investments within the portfolio.

8.3 Non-financial matters

Non-financial factors have not been taken into account in setting our investment strategy. Currently, the Scheme does not intend seek the views of the membership on ethical considerations, given the likely difficulty of achieving a consensus.

9. Cash flow

9.1 Positive cash flow

Where the Scheme experiences positive cashflow, the Trustee will manage its cash flow, accounting for the incidence and amount of contributions, payments and the balance of the Trustee's bank account to ensure that as far as possible the disinvestment of assets is avoided. Furthermore, all positive cash flow will be reviewed periodically and invested following advice from the Scheme's investment adviser.

In the absence of any strong conviction concerning the future movement of markets, the cash flows will be invested to rebalance the Scheme's asset allocation taking into account:

- any known future cash flows;
- the 'strategic allocation' outlined in Appendix 1;
- any minimum dealing amounts set by the investment managers;
- costs and risks.

The above policy reflects that rebalancing is not an exact process; therefore it is important to avoid the additional costs arising from the diminishing benefits associated with trying to invest cash flows precisely in line with the strategic asset allocation. It is also recognised that the surplus cash flow may be insufficient to rebalance funds to the Scheme's target asset allocation.

9.2 Negative cash flow

Under the circumstances where the Scheme experiences negative cash flow, the Trustee has instructed the Scheme's investment advisers to carry out disinvestments of the Scheme's assets to rebalance the Scheme's asset allocation.

In the absence of any strong conviction concerning the future movement of markets, assets will be disinvested to rebalance the Scheme's asset allocation taking into account:

- any known future cashflows;
- the 'strategic allocation' outlined in Appendix 1;
- any minimum dealing amounts set by the investment managers;
- costs and risks.

The above policy reflects that rebalancing is not an exact process; therefore it is important to avoid the additional costs arising from the diminishing benefits associated with trying to disinvest assets to precisely replicate the strategic allocation detailed in Appendix 1. It is also recognised that the disinvestments may be insufficient to rebalance funds to the Scheme's target asset allocation.

9.3 Rebalancing

The Trustee will undertake a periodic rebalancing review, which would take into account how far the portfolio has moved away from the original asset allocation and whether any action needs to take place with regard to the individual funds to return them to the original target asset allocation.

10. AVC

Prior to the closure of the Scheme to future accruals in September 2008, it was possible for active members to pay AVC.

The Trustee uses the services of Aviva to manage the AVC arrangement.

The Trustee has a responsibility to provide a range of investment vehicles suitable for the investment of members' AVC accounts. In deciding upon the range of funds to offer, the Trustee considered:

- the need to offer an efficient and diverse range of asset classes; and
- the risks and rewards of different asset classes.

The Trustee has taken into account members' potential circumstances, members' potential attitudes to risk and the long-term performance characteristics of various asset classes, in terms of their expected returns and the variability of those returns, in deciding on the range of funds to make available to members.

The Trustee keeps the suitability and performance of these investments under review.

Each member is responsible for specifying one or more of the available funds for investment of his account, having regard to his attitude to the risks involved.

The Scheme uses the services of Aviva as its AVC investment manager. The relationship with the AVC manager is open ended and is reviewed on a periodic basis.

11. Reviews

11.1 How often is the SIP reviewed?

The Trustee will review this SIP annually and without delay after any significant change in investment policy. Any change to this SIP will only be made after having obtained and considered the written advice and consulting the Sponsoring Employer.

11.2 How often are investments reviewed?

Strategy reviews for the Scheme are undertaken periodically. Typically, a review will occur alongside triennial actuarial valuations; but more frequent reviews can occur in light of a material change of circumstances. Any change in investment strategy may necessitate a change in investment managers, regardless of the underlying performance of the funds.

Investment return experience and the performance of individual funds is reviewed with assistance from Quantum annually. Managers are reviewed against their agreed performance benchmarks and targets over both short-term and long-term time periods, to ensure they remain appropriate to implement the investment strategy for the Scheme.

11.3 How does the Trustee monitor portfolio turnover and costs?

The Trustee has delegated the selection of holdings to the appointed investment managers. The Trustee receives an annual report from the investment managers setting out portfolio turnover and the associated costs.

The Trustee has not set a specific portfolio turnover target for each investment manager and recognise that portfolio turnover and costs may vary with market conditions. Each manager has ultimate responsibility for the underlying holdings within their funds and they are expected to change these underlying holdings to the extent required to achieve their investment objectives.

The Trustee will compare the annual turnover and associated costs for each fund with previous years to ensure each investment manager's process and philosophy remain consistent.

For and on behalf of Fairfield Pension Trustees Limited, as Trustee of the Palmer Timber Limited Retirement Benefits Scheme.

Appendix 1 – Asset allocation

Asset class	Minimum allocation	Maximum allocation	Strategic allocation
Return Seeking Portfolio	--	--	**70.0**
Global Equities	18.0	22.0	**20.0**
Diversified Growth	47.5	52.5	**50.0**
Liability Matching	--	--	**30.0**
LDI & Cash*	N/A	N/A	**30.0**
Total	--	--	**100.0**

*The geared LDI strategy aims to hedge interest rate and inflation sensitivity of c60% of the Scheme's assets at date of implementation.

Appendix 2 – Investment managers

<table>
<tr><th>Manager</th><th>Fund name</th><th>Benchmark</th><th>Performance target</th><th>Date appointed</th><th>Min. allocation</th><th>Max. allocation</th><th>Strategic allocation</th><th>Annual fee</th><th>Vehicle</th><th>Custodian</th></tr>
<tr><td>LGIM</td><td>World Equity Index – GBP Hedged</td><td>FTSE World Index (ex advanced Emerging Markets) – GBP Hedged</td><td>To track the performance of the FTSE World Index GBP Hedged (less withholding tax where applicable), with the exception of advanced emerging markets, to within +/- 0.5% p.a. for two years out of every three, gross of fees.</td><td>December 2020</td><td>18.0%</td><td>22.0%</td><td>20.0%</td><td>0.17%</td><td>ULIP</td><td>HSBC Global Investor Services & CitiGroup</td></tr>
<tr><td>Baillie Gifford</td><td>Diversified Growth</td><td>UK base rate</td><td>UK base rate + 3.5% p.a.</td><td>October 2012</td><td rowspan="2">47.5%</td><td rowspan="2">52.5%</td><td>37.5%</td><td>0.65%</td><td>OEIC</td><td>BNY Mellon</td></tr>
<tr><td>BNY Mellon</td><td>Real Return</td><td>UK 1 month LIBOR</td><td>UK 1 Month LIBOR +4%, gross of fees, over 5 years</td><td>December 2020</td><td>12.5%</td><td>0.75%</td><td>ICVC</td><td>BNY Mellon</td></tr>
<tr><td>Insight</td><td>LDI Enhanced Selection</td><td>Gilt/Swap benchmark</td><td>To deliver nominal inflation linked returns</td><td>December 2020</td><td rowspan="2">N/A*</td><td rowspan="2">N/A*</td><td rowspan="2">30.0%</td><td>0.10%</td><td>OEIC</td><td>Northern Trust</td></tr>
<tr><td>LGIM</td><td>Cash</td><td>7 Day GBP LIBID</td><td>To achieve a gross return of at least 7-day LIBID</td><td>December 2020</td><td>0.10%</td><td>ULIP</td><td>HSBC Global Investor Services</td></tr>
</table>

*The geared LDI strategy aims to hedge interest rate and inflation sensitivity of c60% of the Scheme's assets at date of implementation.