The Bradfords Pension Scheme

Statement of Investment Principles – December 2021

Introduction

The Trustees of the Bradfords Pension Scheme (the "Scheme") has drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005 (as amended by subsequent regulations). The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. In preparing this Statement the Trustees have consulted Bradford & Sons Ltd (the "Employer") on the Trustees' investment principles.

Governance

The Trustees make all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of investment managers. The process for making investment decisions is as follows:

- Identify appropriate investment objectives
- Define the level of risk consistent with meeting the objectives
- Implement an investment strategy and investment manager structure in line with the level of risk and objectives agreed

When making such decisions, and when appropriate, the Trustees take proper advice. The Trustees' investment consultants, Capita Pension Solutions ("Capita") (or whoever is the current investment consultant), are qualified by their ability in, and practical experience of, financial matters, and have the appropriate knowledge and experience to provide such advice.

Investment Objectives

The Trustees are required to invest the Scheme's assets in the best interest of members, and their main objectives with regard to investment policy are:

- To achieve, over the long term, a return on the Scheme's assets which is sufficient, in conjunction with the Scheme's existing assets and employer contributions, to pay all members' benefits in full. In practice this means seeking to achieve full funding against a conservative "low dependency" measure of the Scheme's liabilities by the time the Scheme is "significantly mature" i.e. by the time that almost all members have retired. 'Low dependency' status would be when Scheme is no longer heavily dependent on Employer support in order to pay benefits.
- To maintain a reasonable level of investment risk, which is supported by the Scheme's time horizon and Company covenant (which is the Company's legal obligation and financial ability to support the Scheme now and in the future);
- To ensure that sufficiently liquid assets are available to meet benefit payments as they fall due; and
- To consider the interests of the Employer in relation to the size and duration of the Employer's contribution requirements.

The Trustees understand, following discussions with the Employer, that the Employer is willing to accept some (limited) volatility in investment returns in order to reduce the long-term cost of the Scheme's benefits.

Risk Management and Measurement

The Trustees are aware of and pay close attention to a range of risks inherent in investing the assets of the Scheme. The Trustees intend that the investment strategy provides for adequate diversification both within and across different asset classes and risks. The Trustees further believe that the current investment strategy is appropriate given the Scheme's liability profile. The Trustees' policy on risk management is as follows:

- The primary investment risk faced by the Scheme arises as a result of a mismatch between the Scheme's assets and its liabilities. This is therefore the Trustees' principal focus in setting investment strategy, taking into account the nature and duration of the Scheme's liabilities.
- The Trustees recognise that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's liabilities, as well as producing more short-term volatility in the Scheme's funding position. The Trustees have taken advice on the matter and (in light of the objectives noted previously) considered the implications of adopting different levels of risk.
- The Trustees recognise the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustees aim to ensure the asset allocation strategy in place results in an adequately diversified portfolio. Due to the size of the Scheme's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles.
- The documents governing the managers' appointment include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme.
- The Trustees recognise that investing in more volatile investments using active management (where appropriate) involves a risk that the assets do not achieve the expected return. However, they believe this risk is outweighed by the potential gains from successful active management, in particular in regions or asset classes where this potential is greater than others. Therefore, the Scheme's assets are managed through a mixture of active and passive management which may be adjusted from time to time.
- The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled vehicles.

Should there be a material change in the Scheme's circumstances, the Trustees will review whether the current risk profile remains appropriate.

Investment Strategy

Given its investment objectives the Trustees (and Employer) have agreed to the approximate asset allocation detailed in the table below.

Asset Class	Starting Asset Allocation (%)
Global Equities	12.6
Diversified Growth	25.4
Alternative Credit	12.6
Total Return-seeking Assets	***50.6***
Liability Driven Investments	20.8
Long dated corporate bonds	28.6
Total Matching Assets	***49.4***
Total	**100.0**
Target liability hedge ratios (as a % of funded low-dependency liabilities)	
Long-term interest rates	100.0
Long-term inflation expectations	100.0

The above strategy was adopted by the Trustees following an updated assessment of the covenant and the Scheme's funding level in late 2021.

The Trustees will monitor the Scheme's actual asset allocation from time-to-time (typically six-monthly) and will decide on a course of action. This may involve redirecting cash flows, a switch of assets, or taking no action. The Trustees will take into account advice from the investment consultant prior to making any decision.

Further details on the specific investment funds used can be found in the Appendix.

Expected Return

The Trustees expect the return on assets to be consistent with the investment objectives and investment strategy outlined above.

The Trustees expect to generate a return, over the long term, of circa 2.2% per annum, net of expenses, above a portfolio of long-dated UK Government bonds – which are considered to change in value in a similar way to the Scheme's liability value. This return is a "best estimate" of future returns that has been arrived at over a suitably long time horizon, in the light of advice from the investment consultant.

The Trustees recognise that over the short term performance may deviate significantly from this long term expectation. This "best estimate" will also generally be higher than the estimate used for the actuarial valuation of the Scheme's liabilities for funding purposes. For this purpose a more prudent estimate of returns will generally be used, as agreed by the Trustees on the basis of advice from the Scheme Actuary.

Platform Provider

The Trustees have appointed Legal & General Investment Management Ltd (“LGIM”) (“the Platform Provider”) to manage all the assets of the Plan, except the M&G Long Dated Corporate Bond Fund which is held “off Platform”. The Platform Provider is regulated under the Financial Services and Markets Act 2000. All decisions about the day-to-day management of the assets have been delegated to the Platform Provider via a written agreement, including the realisation of investments.

Investment Mandates

The Trustees have selected LGIM, Schroder Investment Management Ltd (“Schroders”), Pacific Investment Management Company (“PIMCO”), Newton Investment Management (“Newton”) and M&G Investment Management (“M&G”) as the appointed Investment Managers (“Investment Managers") to manage assets of the Scheme. LGIM and Schroders manage the scheme via a single policy with the Platform Provider, whereas M&G manage assets of the Scheme independently from the Platform Provider. The Investment Managers are themselves regulated under the Financial Services and Markets Act 2000.

The Trustees have rolling contracts with their investment managers.

The Trustees monitor the performance of their investment managers on a half yearly basis. This monitoring is facilitated by a report provided by their advisors.

The Trustees have set performance objectives, including time periods, consistent with the investment strategy set out in this statement.

Investment Manager Remuneration

The Trustees monitors the remuneration, including incentives, that is paid to its investment managers and how they reward their key staff who manage client funds, along with how the pay and incentives motivate employees who manage client funds.

As part of the monitoring that the Trustees carry out on a regular basis, they look to ensure that this policy is in line with their investment strategy.

Investment Manager Philosophy and Engagement

The Trustees monitor the investment managers’ process for assessing the businesses they invest in, and whether business performance over the medium to long-term involves a holistic look beyond purely accountancy measures. The Trustees consider if the fund manager is incentivised to make decisions on a short-term basis or on a medium to long-term basis and whether this coincides with the business assessments. The Trustees are conscious of whether the investment manager is incentivised by the agreement with the Trustees to engage with the investee business and to what extent any engagement focuses on improving medium to long-term performance.

Investment Manager Portfolio Costs

The Trustees will monitor costs of buying, selling, lending and borrowing investments and they will look to monitor the costs breakdown regularly, as long as the investment managers provide these costs using the Cost Transparency Initiative template. They will also ensure that, where appropriate, their investment managers monitor the frequency of transactions and portfolio turnover. If there are any targets then they will monitor compliance with these targets.

Financially material considerations over the Scheme's time horizon

The Trustees believe that their main duty, reflected in their investment objectives, is to protect the financial interests of the Scheme's members. The Trustees believe that Environmental, Social and Governance (ESG) considerations (including but not limited to climate change) and stewardship in the selection, retention and realisation of their investments is an integral part of this duty and can contribute to the generation of good investment returns. Legislation requires that the Trustees form a view of the length of time that they consider is needed for the funding of future benefits by the investments of the Scheme. The Trustees recognise that this is a defined benefit scheme closed to accrual with an ageing membership. Nevertheless, the Trustees believe that an appropriate time horizon for the Scheme could still be over 10 years, which gives plenty of scope for ESG considerations to be financially material. The Trustees have therefore elected to invest in ESG-tilted pooled equity funds.

The Trustees have elected to invest predominantly in pooled funds and it is difficult to, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which they invest (especially where assets are managed passively). However, the Trustees will consider the manager policies in all future selections and will seek to deepen their understanding of their existing manager policies by reviewing these regularly. The Trustees will also seek to understand what other options might be available at their managers and in the wider market. In cases where they are dissatisfied with a manager's approach they will take this into account when reviewing them. They are also keen that all their managers are signatories of the UN Principles of Responsible Investment, which they will check as part of their regular reviews.

The Trustees believe that stewardship is important, through the exercising of rights (including voting rights) attaching to investments. The Trustees are keen that their managers can explain when, and by what practical methods, the managers monitor and engage with relevant persons about relevant matters in this area. The Trustees monitor annually the voting being carried out by investment managers and custodians on their behalf. They do this by receiving reports from their investment managers which include details of any significant votes cast and proxy services that have been used. The Trustees are also keen that their managers are signatories of the UK Stewardship Code, which they check annually.

The Trustees are aware that ESG and stewardship considerations involve an ongoing process of education for themselves and engagement with their investment managers. To that end they dedicate time regularly to the discussion of this topic and intend to review and renew their approach periodically with the help of their investment consultant, where required. The Trustees will review the Investment Manager's ESG policies (including the application of voting rights), in order to help ensure that suitable policies are in place.

Non-financial matters

Non-financial matters, including members' views are not currently taken into account.

Compliance with Myners' Principles

The Trustees believe that they comply with the spirit of the Myners' Principles. There may be some instances of deviation from the published 'Best Practice Guidance' on the Principles where the Trustees believe this to be justified.

Employer-Related Investments

The Trustees' policy is not to hold any direct employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

Fee Structures

The Platform Provider and investment managers are paid a management fee on the basis of assets under management. The investment consultant is paid on a fixed fee basis for providing 'core services'. The Trustees can request that Capita undertake 'out-of-scope' projects, which may be undertaken on a fixed fee or time-cost basis - as negotiated between the Trustees and Capita.

Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Stuart Paull ………………………………………	Lee Harwood …………………………………………….
Trustee	On behalf of the Employer

For and on behalf of the Trustees of the Bradfords Pension Scheme

Appendix – Investment Mandates

The Trustees have selected the Investment Managers to manage the assets of the Scheme (via use of the Platform Provider where appropriate). The Investment Managers and the Platform Provider are regulated under the Financial Services and Markets Act 2000. Their mandates are set out below:

Asset Class	Investment Manager	Fund Name	Starting Allocation %
Return-seeking Assets			**50.6**
Global Equities	LGIM	Future World Global Equity Index (unhedged)	12.6
Diversified Growth Funds	Schroder Life	Diversified Growth Fund	12.7
Diversified Growth Funds	Newton	Real Return Fund	12.7
Alternative Credit	PIMCO	GIS Income Fund	12.6
Matching Assets			**49.4**
Liability Driven Investments	LGIM	Core Matching Funds	20.8
UK corporate bonds	M&G	Long Dated Corporate Bond Fund	28.6