Perry Willenhall Steel Service Centres Limited Pension & Life Assurance Scheme (the 'Scheme')

Statement of Investment Principles ('SIP')

1. Scope of Statement

This Statement has been prepared in accordance with the Pensions Act 1995, as amended in 2004, and the Occupational Pension Schemes (Investment) Regulations 2005, as amended in both 2018 and 2019. The Trustees comply with the requirements to maintain, take advice and consult with the employer on the SIP and with the disclosure requirements.

This Statement sets out the principles governing decisions about the investment of the assets of the Scheme.

The Trustees are responsible for the investment strategy of the Scheme. They have obtained and considered written advice on the investment strategy appropriate for the Scheme. They have also obtained advice on the preparation of this statement from Aon (Aon Solutions Ltd), who are authorised and regulated by the Financial Conduct Authority.

A copy of this Statement is available to the members of the Scheme upon request and will also be made available on a public website.

2. Investment Objective

The objective of the investment strategy is to ensure that the Scheme's assets and future contributions are invested in such a manner that the benefits due to members and their beneficiaries can be paid from the Scheme as they arise. The strategy is intended to target **a return of gilts plus 2% p.a.**

3. Strategy and Implementation

The Trustees have decided to invest the Scheme's assets in Aon's fiduciary solution called "Fruition". Management of the Scheme's assets has been delegated to Aon Investments Limited ('AIL'), who are authorised and regulated by the Financial Conduct Authority. AIL manage the Scheme's assets in a range of funds which can include multi-asset, multi-manager and specialist third party liability matching funds. AIL conducts the necessary day to day management of the funds required to meet the Trustees' objectives.

Within the Fruition solution, the Scheme's assets can be allocated to up to five different funds as detailed in the table below. The Nominal and Real funds contain exposure to both the Growth Fund and liability hedging instruments. To the extent that the Scheme invests in one of the four funds containing liability hedging instruments, interest rate and inflation protection is provided across the value of those assets. The protection provided is based on the profile of a typical pension scheme's liabilities.

Investment	Objective	Return Target
Growth Fund	To generate long term capital growth through investment in a diversified portfolio of return-seeking assets.	LIBOR +4% p.a.
Nominal +2 Fund	A mixture of diversified return-seeking assets and investments designed to match a typical pension scheme's nominal liabilities.	Gilts(1) +2% p.a.
Real +2 Fund	A mixture of diversified return-seeking assets and investments designed to match a typical pension scheme's real liabilities.	Gilts(1) +2% p.a.

Nominal +1 Fund	A mixture of diversified return-seeking assets and investments designed to match a typical pension scheme's nominal liabilities.	Gilts(1) +1% p.a.
Real +1 Fund	A mixture of diversified return-seeking assets and investments designed to match a typical pension scheme's real liabilities.	Gilts(1) +1% p.a.

(1) The manager will calculate a notional benchmark which reflects the underlying gilts held to match a typical pension scheme's liabilities with around 20-year duration.

Strategic Asset Allocation

The Scheme's investment strategy has been established as laid out below. The Scheme's actual position relative to this asset allocation strategy is to be reviewed from time to time to determine whether any rebalancing is required.

Investment	Weight (%)
Growth Fund	-
Nominal +2 Fund	27%
Real +2 Fund	73%
Nominal +1 Fund	-
Real +1 Fund	-

Note: Investments into and disinvestments from the Scheme will also typically be made in the proportions set out above. Under this strategy, broadly 50% of the Scheme's funds are allocated to diversified return-seeking assets and broadly 50% are allocated to investments which are designed to match a typical pension scheme's liabilities. However, this is subject to variation from time-to-time.

4. Risk Measurement and Management

The Trustees recognise that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustees have identified a number of risks which have the potential to cause a deterioration in the Scheme's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustees and their advisers considered this mismatching risk when setting the investment strategy and have specifically structured the Scheme's assets so as to mitigate this risk.
- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("cashflow risk"). The Trustees and their advisers will manage the Scheme's cashflows – with consideration for the timing of future payments – to reduce the likelihood of this occurring.
- The failure by the fund managers to achieve the performance targets set by the Trustees relative to the benchmark ("manager risk"). This risk is considered by the Trustees and their advisers both upon the initial appointment of the fund managers and on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustees and their advisers considered this risk when setting the Scheme's investment strategy.
- The possibility of failure of the Scheme's sponsoring employer ("covenant risk"). The Trustees and their advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.

- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustees have sought to minimise such risk by ensuring that all advisers and third-party service providers are suitably qualified and experienced, and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustees consider the majority of these risks in a qualitative rather than quantitative manner as part of each investment strategy review.

5. Responsible Investment and Corporate Governance

Environmental, Social and Governance ('ESG') considerations

The Trustees have appointed AIL as their Fiduciary Manager to manage the Scheme's assets. References in this policy to 'asset manager' refer to AIL or any other direct investments that the Trustees may make from time to time. AIL invests in a range of underlying investment vehicles.

The Trustees consider investment risk to include ESG factors and climate change. These risks could negatively impact the Scheme's investments.

As part of AIL's management of the Scheme's assets, the Trustees expect AIL to:

- Where relevant, assess the integration of ESG factors in the investment process of underlying managers;
- Use its influence to engage with underlying managers to ensure the Scheme's assets are not exposed to undue risk; and
- Report to the Trustees on its ESG activities as required.

Stewardship – Voting and Engagement

The Trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately creates long-term financial value for the Scheme and its beneficiaries.

The Trustees annually review the stewardship activity of the fiduciary manager to ensure the Scheme's stewardship policy is being appropriately implemented in practice. The Trustees receive annual reports on stewardship activity carried out by their fiduciary manager, which include detailed voting and engagement information from underlying asset managers.

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Scheme.

The Trustees recognise that their collaborative behaviours can further work to mitigate the risks we have identified above, for the Scheme.

The Trustees may engage with their fiduciary manager, who in turn is able to engage with underlying asset managers, investee company or other stakeholders, on matters including the performance, strategy, risks, social and environmental impact, corporate governance. Where a significant concern is identified, the Trustees will consider, on a case by case basis, a range of methods by which they would monitor and engage so as to bring about the best long-term outcomes for the Scheme.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy, the Trustees do not explicitly take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"[1]).

Direct investments

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased without a contract, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The Trustees' policy is to review the Scheme's direct investments and to obtain written advice about them from time to time. These include vehicles available for members' Additional Voluntary Contributions (AVCs). The Trustees have full discretion as to the appropriate vehicles made available for AVCs. When deciding whether to make any new investments, the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustees (or, to the extent delegated, by the fund manager) 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
- Use of derivatives

The Trustees delegate the ongoing monitoring of underlying asset managers to the fiduciary manager. The fiduciary manager monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the underlying asset managers are aligned with the investment objectives of the Scheme. This includes monitoring the extent to which the underlying asset managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

Before appointment of a new fiduciary manager, the Trustees review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees' policies. Where possible, the Trustees will seek to amend that documentation or express their expectations (such as through side letters, in writing, or verbally at Trustees' meetings) so that there is more alignment.

The Trustees believe that having appropriate governing documentation, setting clear expectations to the fiduciary manager, and regular monitoring of the fiduciary manager's performance and investment strategy, is sufficient to incentivise the fiduciary manager to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial and non-financial performance.

[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

Where the fiduciary manager is considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically engage with the fiduciary manager to understand the circumstances and materiality of the decisions made.

There is typically no set duration for arrangements with the fiduciary manager, although the continued appointment will be reviewed periodically. Similarly, there are no set durations for arrangements with the underlying asset managers that the fiduciary manager invests in, although this is regularly reviewed as part of the manager research and portfolio management processes in place.

The Trustees review their SIP at least every three years and immediately following any significant change in investment policy. The Trustees take investment advice and consults with the sponsoring employer over any changes to the SIP.

6. Costs and transparency

The Trustees are aware of the importance of monitoring their asset managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustees recognise that in addition to annual management charges, there are other costs incurred by asset managers that can increase the overall cost incurred by their investments.

The Trustees receive annual cost transparency reports from their fiduciary manager. These reports present information in line with prevailing regulatory requirements for fiduciary managers. They clearly set out on an itemised basis:

- The total amount of investment costs incurred by the Scheme, including any charges incurred through the use of pooled funds (custody, admin, audit fees etc);
- The fees paid to the fiduciary manager;
- The fees paid to the investment managers appointed by the fiduciary manager; and
- The amount of portfolio turnover costs (transaction costs) incurred by the investment managers appointed by the fiduciary manager.

The Trustees define portfolio turnover costs as the costs incurred in buying and selling underlying securities held within the funds of the investment managers appointed by the fiduciary manager. These are incurred on an ongoing basis and are implicit within the performance of each fund.

The Trustees acknowledge that portfolio turnover costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager. The fiduciary manager monitors the level of portfolio turnover (defined broadly as the amount of purchases plus sales) of all the investment managers appointed on behalf of the Trustees.

The Trustees benefit from the economies of scale provided by the fiduciary manager in two key cost areas:

- The ability of the fiduciary manager to negotiate reduced annual management charges with the appointed investment managers; and
- The ability of the fiduciary manager to monitor ongoing investment costs (including additional fund expenses and portfolio turnover) incurred by the investment managers and achieve efficiencies where possible.

The Trustees assess the (net of all costs) performance of their fiduciary manager on a rolling three-year basis. It is the Trustees' view that long-term performance, net of fees, is the most important metric on which to evaluate their asset managers.

Signed on behalf of the Trustees of the Perry Willenhall Steel Service Centres Limited Pension & Life Assurance Scheme

STEVEN TAYLOR		21/9/20
Name (print)	**Signature**	**Date**
COLIN PLANT		21/9/20
Name (print)	**Signature**	**Date**