

Statement of Investment Principles – Port of Felixstowe Pension Plan (adopted by the Trustee: 24 July 2023)

Introduction

- 1 This document is the Statement of Investment Principles ('SIP') made by the Trustee of the Port of Felixstowe Pension Plan (the 'Plan') in accordance with the requirements of Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it).

This SIP also reflects The Pensions Regulator's investment guidance for trustees running pension schemes that offer defined benefits that was issued in March 2017 and subsequently updated in September 2019. The Trustee will review this SIP at least every three years and without delay after any significant change in investment policy. Before finalising this SIP, the Trustee took written advice from the Plan's Investment Consultant (Buck) and consulted Port of Felixstowe Limited (the 'Employer'). The ultimate power and responsibility for deciding investment policy, however, lies solely with the Trustee.

Plan objectives

- 3 The investment objective of the Plan is to ensure that the assets of the Plan are sufficient to meet the Plan's liabilities as they fall due. In seeking to achieve this objective, the Trustee is mindful of the need to:
 - take account of current market conditions when positioning the portfolio at any time;
 - limit the risk of the assets failing to meet the liabilities over the long term, noting that asset growth is expected to be made up of investment returns plus future contributions.
- 4 The Trustee will review this performance objective regularly.

Investment strategy

- 5 The Trustee has received advice to determine an appropriate investment strategy for the Plan. The Trustee wishes to diversify its risk exposures and to manage its investments efficiently. The Trustee has delegated responsibility for certain investment decisions to its Investment sub-Committee ("ISC"). All decisions of the ISC will be recorded in committee minutes and made available to the full Trustee Board.
- 6 The investment strategy makes use of the following key types of investments:
 - a diversified range of return-seeking and liability-matching assets, including (but not limited to) equities, corporate bonds, property, gilts and index-linked gilts.
- 7 The balance within and between these investments will be determined from time to time with regard to maximising the chance of achieving the Plan's investment objective.

- 8 The Plan will hold assets in cash and other money market instruments from time to time as may be deemed appropriate.
- 9 The Trustee will monitor the liability profile of the Plan and will regularly review, in conjunction with the Investment Consultant and the Plan Actuary, the appropriateness of its investment strategy.
- 10 The expected return of an investment will be monitored regularly having regard to the Plan's investment objective.
- 11 The Trustee's policy is that there will be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in foreseeable circumstances so that the realisation of assets will not disrupt the Plan's overall investments, where possible. The Trustee, together with the Plan's administrators, will hold sufficient cash to meet benefit and other payment obligations when due.

Investment managers, Trustee Governance and stewardship

- 12 In accordance with the Financial Services and Markets Act 2000, the Trustee does not take day-to-day investment decisions. The Trustee sets general investment policy, including the asset allocation, and delegates the responsibility for selection of specific securities within each asset class to an appointed investment manager or managers. The investment managers are expected to provide the skill and expertise necessary to manage the investments of the Plan competently. The Trustee regularly reviews the performance of the Plan's investments, and monitors asset values against the selected portfolio allocations. The full Trustee Board or the ISC usually meets with the investment managers at least once each year. The Trustee expects its manager appointments to be long-term in nature, subject to the manager continuing to meet the Trustee's expectations.
- 13 The Trustee has delegated the day-to-day method of operation to the investment managers and does not directly seek to influence attainment of their performance targets. The Trustee maintains processes to ensure that performance is assessed on a regular basis against a measurable objective for each manager, consistent with the achievement of the Plan's long term objectives, and an acceptable level of risk. As part of this process, the Trustee regularly reviews investment management fees against the agreed charges outlined in the investment manager agreements and records the costs relating to the passive index tracking funds. This method of monitoring and evaluation is in line with the Trustee's investment policies. The Trustee relies on its Investment Consultant to provide the overall monitoring of the Scheme's investment managers.
- 14 The Investment Management Agreement (IMA) sets out the charges relevant to each of the pooled funds held by the Trustee. Other than transaction charges which the Trustee monitors and agreed investment management and administration charges there are no other charges incurred by the Trustee in respect of the pooled investments held. The IMA is an open ended agreement and reviewed from time to time and in the event of any changes being required.
- 15 The investment managers are not directly incentivised to align the investment strategy and any decisions relating to the pooled funds with the Trustee's investment policies. (Rather, the Trustee has selected pooled funds which have policies and objectives that are aligned with the Trustee's policies, and for each fund the investment managers are incentivised by the fees paid to adhere to their stated policies and objectives.) The Trustee expects the investment strategy and decisions to be appropriate for each pooled fund.
- 16 The Trustee's policy on engagement and monitoring investee companies is to delegate responsibility to each investment manager. The Trustee expects the investment manager to

use their discretion to maximise financial returns for members over the long term. The Trustee recognises that each investment manager's ability to influence the companies in which they invests will depend on the nature of the investment.

- 17 The investment managers make decisions based on their engagement with the companies issuing the investments held by the pooled funds and will make their assessments of the performance of those companies over the medium and long term in line with their internal policies and practices. The investment managers are also expected to engage with those companies in relation to their capital structure and any potential or actual conflicts of interest, monitoring those companies as they feel appropriate. The Trustee does not directly incentivise the investment managers in relation to these decisions. 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.
- 18 The Trustee accepts that turnover costs will be incurred by the investment managers to ensure that the investments held are in accordance with the strategy of each of the pooled funds. The Trustee receives an annual report on the funds' turnover costs. They expect these costs to be appropriate to the individual pooled fund.
- 19 The Trustee considers the fees and charges associated with each investment before investing.
- 20 The Trustee considers that, in addition to the performance of companies being invested in and interest and exchange rates, social, environmental and governance (ESG) factors, including climate change and ethical issues, could be financially material in impacting the long term investment returns of the investments held by the Plan over the Plan's multi-decade time horizon.
- 21 By investing the majority of the Plan's investments in passive index tracking funds, the extent to which the selection, retention and realisation of investments take these financially material factors into account is left to the discretion of its investment managers. However, the Trustee expects that the extent to which ESG factors may have a fundamental impact on the portfolio will be taken into account by the investment managers in the performance of their delegated duties.
- 22 The investment manager for the passive index tracking funds has provided details of how ESG factors are incorporated in their long term approach to investment strategy.
- 23 The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. The investment managers provide details of how they engage with companies issuing the investments held by the pooled funds and how they exercise their voting rights in relation to those companies. Information in relation to the exercising of those rights is provided to the Trustee on a regular basis.
- 24 The Trustee reviews the voting and engagement behaviour, including the definition of significant votes, of the investment managers on an annual basis. The Trustee also reviews the investment managers engagement and stewardship policies, along with the internal control reports on a regular basis.
- 25 The Trustee has considered the extent to which it can take account of non-financial matters, including members' views relating to ESG factors. The Trustee's main objective is to ensure the financial security of members' benefits. Furthermore, in view of the passive index-tracking nature of the majority of the investments, the Trustee is generally not in a position to

influence the investments selected by the investment manager. The Trustee has therefore not directly sought the views of members on such non-financial matters. Nevertheless, the Trustee will consider a prospective investment manager's approach to ESG factors as part of its decision whether or not to retain the investment manager of each Fund.

- 26 The Trustee is aware of the Employer's policy in relation to ESG factors.
- 27 The Trustee considers any potential and actual conflicts of interest (subject to reasonable levels of materiality) at the start of each Trustee meeting and document these in the minutes.

Other matters

- 27 The Plan is a Registered Pension Scheme for the purposes of the Finance Act 2004.
- 28 The Plan's AVC arrangement provides for benefits to be accrued on a money purchase basis, with the value of members' funds being determined by the value of accumulated contributions adjusted for investment returns net of charges. In selecting appropriate investments, the Trustee is aware of the need to provide a range of investment options, which broadly satisfy the risk profiles of all members, given that members' benefits will be directly determined by the value of the underlying investments.
- 29 The Trustee recognises a number of risks involved in the investment of the Plan's

assets: Deficit risk:

- is measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies;
- is managed through assessing the progress of the actual growth of the liabilities relative to the selected investment policy and by selecting an investment policy designed to control deficit risk at an appropriate level.

Manager risk:

- is measured by the expected deviation of the return relative to the benchmark set;
- is managed by monitoring the actual deviation of returns relative to the benchmark and factors supporting the managers' investment process and through most of the investment management being passive in nature.

Liquidity risk:

- is measured by the level of cash flow required by the Plan over a specified period;
- is managed by the Plan's administrators assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy and through holding assets of appropriate liquidity.

Currency risk:

- is measured by the level of exposure to non-sterling denominated assets;
- is managed by reviewing the potential impact and taking action as necessary, including appropriate allocations to UK and global investments.

Interest rate and inflation risk:

- is measured by comparing the likely movement in the Plan's liabilities and assets due to movements in inflation and interest rates;
- is managed by holding a portfolio of matching assets (physical bonds and/or derivatives) that enable the Plan's assets to better-match movements in the value of the liabilities due to inflation and interest rates. In consultation with the Plan's Investment Consultant, the Trustee reviews the Plan's interest rate and inflation risk (in relation to the relevant funding target basis) from time to time and makes changes as appropriate.

Political risk:

- is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention;
- is managed by regular reviews of the actual investments relative to policy and through the level of diversification within the existing policy and the focus on developed markets (which are viewed as carrying less political risk).

Sponsor risk:


- is measured by receiving regular financial updates from the Employer;
- is managed through an agreed contribution and funding schedule.

Derivatives risk:

- the Plan does not invest directly in derivatives. The Plan may have indirect exposure through funds in which the Plan is invested and the Trustee relies upon the relevant investment manager to manage this exposure.

ESG risk:

- There is a risk that if ESG issues and climate change are not considered fully as part of the investment process this may expose the portfolio to unexpected risks. This can lead to losses that may not have been factored into any expectations of future investment returns. The Trustee has considered ESG issues including climate change as part of the investment process.

Signed: 

Name: ROBSON PAGE

Date: 24th JULY 2023

Authorised for and on behalf of the Trustee of the Plan