

# Communis Pension Plan

## Statement of Investment Principles

**Barnett Waddingham LLP**

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## Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustee of the Communisis Pension Plan (“the Plan”). This statement sets down the principles which govern the decisions about investments that enable the Plan to meet the requirements of:
  - the Pensions Act 1995, as amended by the Pensions Act 2004; and
  - the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010.
  - the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.
  - the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2. CL Realisations Limited (“the Principal Employer”) has entered administration and the Plan entered an assessment period for the Pension Protection Fund (“PPF”) on 28 December 2023. Therefore, in preparing this statement the Trustee obtained advice from Barnett Waddingham LLP, the Trustee’s investment consultant. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority and regulated by the Institute and Faculty of Actuaries in respect of a range of investment business activities.
- 1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.
- 1.4. The Trustee will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.
- 1.5. The investment powers of the Trustee are set out in specific clauses in the Definitive Trust Deed and Rules, which is amended as appropriate. This statement is consistent with those powers.

## 2. Choosing investments

- 2.1. The Trustee’s policy is to set the overall investment target and, in doing so, the Trustee has taken into account the fact that the PPF may assume responsibility for the Plan or that the Trustee may aim to secure benefits with an insurance company or capital-backed consolidator. The Trustee will then monitor the performance of their managers against that target. In doing so, the Trustee considers the advice of its professional advisers, who it considers to be suitably qualified and experienced for this role.
- 2.2. The day-to-day management of the Plan’s assets is delegated to one or more investment managers. The Plan’s investment managers are detailed in the Appendix to this Statement. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for any stock selection and the exercise of voting rights.
- 2.3. The Trustee reviews the appropriateness of the Plan’s investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set.

### 3. Investment objectives

- 3.1. The Trustee has discussed key investment objectives in light of an analysis of the Plan's liability profile as well as the constraints the Trustee faces in achieving these objectives. As a result, the Trustee's main investment objectives are:
- to ensure that the Plan can meet the members' entitlements under the Trust Deed and Rules as they fall due and overriding PPF requirements during the PPF assessment period;
  - to reduce the risk of the assets failing to meet the liabilities over the long term and to manage the expected volatility of the funding level;
  - to invest in assets of appropriate liquidity to meet the cost of benefits which the Plan provides;
  - to manage the running costs of the Plan as appropriate;
  - to take account of the long-term risks including, where relevant, those relating to non-financial factors when making investment decisions.
- 3.2. The Trustee is aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Plan's liabilities. The Trustee has obtained exposure to investments that it expects will meet the Plan's objectives as best as possible.

### 4. Kinds of investments to be held

- 4.1. The Plan is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives.
- 4.2. The Trustee considers any guidance set out by the PPF when choosing the Plan's investments during the PPF assessment period, as well as the possibility of securing benefits with an insurer or capital-backed consolidator.
- 4.3. The Trustee monitors from time-to-time the employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this to be more than 5% of the portfolio. Typically, this check is carried out annually by the Plan's auditors.

### 5. The balance between different kinds of investments

- 5.1. The Trustee invests in assets that are expected to achieve the Plan's objectives. The allocation between different asset classes is contained within the Appendix to this Statement.
- 5.2. The Trustee considers the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendix to this Statement.
- 5.3. From time to time the Trustee may hold cash and therefore deviate from the allocation set out in the Appendix to this Statement, to accommodate any short-term cashflow requirements or other unexpected items.
- 5.4. The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and therefore the Plan's asset allocation will be expected to change as the liability profile matures.

## 6. Risks

6.1. The Trustee has considered the following risks for the Plan with regard to its investment policy and the Plan's liabilities, and considered ways of managing/monitoring these risks:

<b>Risk versus the liabilities</b>	The Trustee will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. During the PPF assessment period, the investment strategy will be set with consideration to the appropriate level of risk, having consulted with the PPF.
<b>Asset allocation risk</b>	The asset allocation is detailed in the Appendix to this Statement and is monitored on a regular basis by the Trustee.
<b>Investment manager risk</b>	The Trustee monitors the performance of each of the Plan's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary. The Trustee has a written agreement with each investment manager, which contain a number of restrictions on how each investment manager may operate.
<b>Governance risk</b>	Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustee monitors these and will report on the managers' practices in their annual Implementation Statement.
<b>ESG/Climate risk</b>	The Trustee considers long-term financial risks to the Plan and ESG factors, as well as climate risk, to be potentially financially material and will continue to develop its policy to consider these, alongside other factors, when selecting or reviewing the Plan's investments in order to avoid unexpected losses.
<b>Concentration risk</b>	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
<b>Liquidity risk</b>	The Plan invests in assets such that there is sufficient allocation to liquid investments that can be converted into cash at short notice given the Plan's cashflow requirements. The Plan's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
<b>Currency risk</b>	The Plan's liabilities are denominated in sterling. The Plan may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
<b>Loss of investment</b>	The risk of loss of investment by each investment manager and custodian is assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

## 7. Expected return on investments

- 7.1. The Plan may be able to secure a bulk annuity purchase with an insurer following a PPF assessment with the intention of achieving returns in line with movements in the value of the Scheme's liabilities, and delivering cashflows to meet members' benefits.
- 7.2. The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is advised by its professional advisers on these matters, who it deems to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.
- 7.3. The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 7.4. In considering the expected return from investments, the Trustee recognises that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.
- 7.5. Having established the investment strategy, the Trustee monitors the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions, the nature of the mandate with the investment manager and the Plan's funding position.

## 8. Realisation of investments

- 8.1. The Trustee has delegated the responsibility for buying and selling investments to the investment managers. The Trustee recognises that some of the assets are illiquid in nature and there may be substantial delays in the divestment of the property income and direct lending assets. Because of this the Trustee closely monitors its cashflow and liquidity position. The Trustee has considered the risk of liquidity as referred to above.
- 8.2. Ultimately, the investments will all have to be sold when the Plan's life comes to an end. In this situation, the Trustee is aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Plan accounts.

## 9. Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

- 9.1. The Trustee has set policies in relation to these matters. These policies are set out in the Appendix.

## 10. Policy on arrangements with asset managers

### Incentivising alignment with the Trustee's investment policies

- 10.1. Prior to appointing an investment manager, the Trustees discuss the investment manager's approach to the management of ESG and climate related risks with the Plan's investment consultant, and how its policies are aligned with the Trustee's own investment beliefs.
- 10.2. When appointing an investment manager, in addition to considering the investment manager's philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustee also considers how ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be out of line with its own investment objectives for the part of the portfolio being considered, it will consider using another manager for the mandate.
- 10.3. In the event that an investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated. The investment managers have been informed of this by the Trustee.

### Incentivising assessments based on medium to long term, financial and non-financial considerations

- 10.4. The Trustee is mindful that the impact of ESG and climate change has a long-term nature, which may exceed that of the PPF assessment period. However, the Trustee recognises that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustee acknowledges this in their investment management arrangements.
- 10.5. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustee assesses these over a rolling timeframe. The Trustee believes the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. It is acknowledged that such timeframes may be longer than the Plan's likely lifetime, but consideration can be given to the manager's performance prior to the start of the assessment period or prior to the Plan's investment.
- 10.6. The Trustee expects investment managers to be voting and engaging on behalf of the Plan's holdings and the Trustee monitors this activity within the Implementation Statement in the Plan's Annual Report and Accounts. The Trustee does not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short-term targets.

### Method and time horizon for assessing performance

- 10.7. The Trustee monitors the performance of its investment managers over medium to long term periods that are consistent with the Trustee's investment aims, beliefs and constraints.
- 10.8. The Trustee invests predominantly in pooled funds. The investment manager is remunerated by the Trustee based on the assets they manage on behalf of the Trustee. In some instances, a performance fee may also be applied.
- 10.9. The Trustee believes that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

10.10. The Trustee asks the Plan's investment consultant to assess if the asset management fee is in line with the market when the manager is selected.

### Portfolio turnover costs

10.11. The Trustee acknowledges that portfolio turnover costs can impact on the performance of its investments. Overall performance is assessed from time to time, as necessary.

10.12. During the investment manager appointment process, the Trustee may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices. The Trustee acknowledges that for some asset classes, such as LDI (Liability Driven Investment), a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

### Duration of arrangement with asset manager

10.13. For the open-ended pooled funds in which the Plan invests, there are no predetermined terms of agreement with the investment managers.

10.14. The Plan also has holdings in closed-ended funds, having entered into long-term arrangements with the relevant investment manager. The Trustee reviews the appropriateness of these arrangements, considering the Plan's objectives, from time to time as necessary.

10.15. The suitability of the Plan's asset allocation and its ongoing alignment with the Trustee's investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

## 11. Agreement

11.1. This statement was agreed by the Trustee, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the investment managers, the Plan Actuary and the Plan auditor upon request.

**Signed:**.....

**Date:**.....

**On behalf of the Communis Pension Plan**

## Appendix 1 Note on investment policy of the Plan in relation to the current Statement of Investment Principles

### 1. The balance between different kinds of investment

The Trustee has a strategic asset allocation as set out in the table below, which has been agreed after considering the Plan's liability profile, funding position, expected return of the various asset classes and the need for diversification.

Portfolio	Asset Class	Allocation (%)*
Growth assets	Direct lending	24%
Hedging assets	Liability Driven Investment ("LDI") and cash	72%
	Trustee bank account	3%

\*Actual allocation as at 30 June 2025

### 2. Choosing investments

The Trustee has appointed the following investment managers to carry out the day-to-day investment of the Plan:

- Arcmont Asset Management Limited ("Arcmont")
- Insight Investment Management Limited ("Insight")

The Trustee also has Additional Voluntary Contributions ("AVC") contracts with Aviva and Utmost for the receipt of members' AVCs.

The investment managers and AVC providers are authorised and regulated by the Financial Conduct Authority.

The investment benchmarks and objectives for each investment manager and AVC provider are given below:

Investment Manger	Fund	Objective
Arcmont	Senior Loan Fund I	6.0 - 7.5% (net IRR)
	Senior Loan Fund II	

Insight	LDI Enhanced Selection Funds	Reduce investment risk for shareholders providing retirement benefits, by delivering nominal and inflation-linked <sup>1</sup> returns.
	GBP Liquidity Plus Holding Fund	To provide stability of capital and income through investment in short term fixed income and variable rate securities

<sup>1</sup> All Enhanced Selection Funds aim to deliver nominal returns. The delivery of inflation-linked returns refers specifically to the Longer Real and Shorter Real Funds

The performance of the investment managers will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

The AVC arrangement is reviewed from time to time.

### 3. Investments and disinvestments

Investments and disinvestments are usually made to and from the Plan's assets with Insight, given the Arcmont Senior Loan Funds are closed-ended and illiquid in nature. Disinvestments for cashflow will typically be made from the Insight Liquidity Plus Holding Fund.

## Appendix 2: Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

### 1. Financially Material Considerations

The Trustee considers that factors such as environmental, social and governance (ESG) issues (including but not limited to climate change) will be financially material for the Plan over its remaining lifetime.

The Trustee has elected to invest the Plan's assets through pooled funds. The choice of underlying funds is made by the Trustee after taking advice from their investment consultant and having considered any guidance from the PPF. The Trustee, and the managers of the underlying funds, take into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments.

### 2. Non-financially material considerations

The Trustee considers that members and beneficiaries are likely to have a diverse range of opinions on ESG and other, non-financial matters. As a consequence, the Trustee does not take into account the views of Plan members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Plan (referred to as "non-financial matters" in the relevant Regulations) in the selection, retention and realisation of investments.

### 3. The exercise of voting rights

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustee's behalf. In doing so, the Trustee expects that the investment managers will use their influence as major institutional investors to exercise the Trustee's rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustee will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Plan's investment consultant.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustee will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustee will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

## 4. Engagement activities

The Trustee acknowledges the importance of ESG and climate risk within their investment framework. When delegating investment decision-making to their investment managers, they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustee is of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustee also recognises that ESG and climate related issues are constantly evolving and, along with them, so too are the products available within the investment management industry to help manage these risks.

The Trustee considers it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Plan or as part of the pooled fund in which the Plan holds units.

The Trustee also considers it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Plan.

Should an investment manager fail in these respects, this should be captured in the Plan's regular performance monitoring.

The Plan's investment managers are granted full discretion over whether or not to invest in the Principal Employer's business. Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustee has made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

The Plan's investment consultant is independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.

The Trustee expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustee believes they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee/investment manager and the investee companies.

In selecting and reviewing their investment managers, where appropriate, the Trustee will consider investment managers' policies on engagement and how these policies have been implemented.