

# Statement of Investment Principles

## C&J Clark Pension Fund September 2025

### Introduction

- 1 This document is the Statement of Investment Principles ('the Statement') made by the Trustee of the C&J Clark Pension Fund (the 'Fund') 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).
- 2 The Trustee will review this Statement at least every three years and without delay after any significant change in investment policy. Before finalising this Statement, the Trustee took written advice from the Fund's Investment Consultant (Willis Towers Watson) and consulted C&J Clark (No 1) Limited (the 'Employer'). The Investment Consultant's written advice will consider the issues set out in the Pensions Act, the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this Statement.
- 3 When choosing investments, the Trustee and the investment managers (to the extent delegated) are required to have regard to the criteria for investment (including diversification and suitability of investments) set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. Additionally, the Trustees will obtain advice on whether its existing investments remain satisfactory on a regular basis.
- 4 The ultimate power and responsibility for deciding investment policy, lies solely with the Trustee.

### Fund Overview

- 5 On 6 April 2020, the Clarks Flexible Pension Scheme merged into the Fund. The merger was implemented on a legally segregated basis, meaning that, as part of the merger, the Fund was divided into two separate Sections: the Fund's existing assets and liabilities became the "CJC Section" (and this comprises Plan 35, Plan E and Plan 18), and the assets and liabilities of the Clarks Flexible Pension Scheme were transferred into a newly created Section of the Fund which was called the "Flexible Section". Because the merger was implemented on a legally segregated basis, the assets and liabilities of each Section was ring-fenced from the other Section, with no cross-subsidisation permitted between the Sections. Each Section had its own actuarial valuations and scheme funding arrangements."
- 6 In May 2022, the Trustee entered into an insurance policy with Pension Insurance Corporation Plc covering a portion of the CJC liabilities. In November 2024, the Trustee entered into an additional insurance policy with Pension Insurance Corporation Plc. Subject to any adjustments following data verification and as a result of GMP equalization, this results in full insurance of the Fund's Plan 35, Plan E (CJC Section), and Flexible Section liabilities. Following data verification, the Trustee's ultimate objective is to convert the two insurance policies into a full "buy-out" contract, expected within c.2 years.
- 7 This document is divided into the following sections:
  - A. Part A relates to Plan 35, Plan E (collectively the CJC Section) and the Flexible Section
  - B. Part B relates to Plan 18
  - C. Part C relates to AVCs.

### A. Plan 35, Plan E (CJC) and Flexible Section

## Fund objectives and Investment Strategy

- 8 The objective of the Fund is to limit the risk of the assets failing to meet the liabilities. To do so, the investment strategy makes use of two key types of investments:
- i. Investments that provide a better match to changes in liability values (insurance policies). The Fund holds two insurance policies with Pension Insurance Corporation plc, entered in May 2022 and November 2024 in respect of all of the Fund's CJC and Flexible Section liabilities.
  - ii. A portfolio of low-risk, residual assets (a combination of liability contingent reserves and remaining reserves) held for the CJC and Flexible sections, to meet ongoing expenses. This includes UK government bonds and cash.

## Investment managers

- 9 The Trustee currently employs BlackRock Investment Management (UK) Limited and Legal & General Investment Management Limited ("LGIM") to manage the Fund's residual assets and Plan 35 assets. These assets are held in pooled funds with the investment managers.
- 10 The Trustee also employs Pension Insurance Corporation plc, who manage two insurance policies for the Fund.
- 11 The Trustee's policy is that there should be sufficient investments in liquid or readily realisable assets to meet cashflow requirements so that the realisation of assets will not disrupt the Fund's overall investment policy, where possible. The Trustee does not borrow money and does not permit the investment managers to borrow money to provide liquidity.
- 12 The Trustee will review the nature of residual assets on a regular basis, with particular reference to suitability. The Trustee seeks and considers written advice from a suitably qualified person in undertaking such a review.

## Responsible Investment

- 13 The Trustee recognises that, following the execution of the two insurance policies of the CJC and Flexible Section liabilities, there is limited scope for the Trustee and investment managers to materially influence the sustainable investment credentials of the Fund (including Climate Risk) given the limited assets held by the Fund and the rights attached to these types of assets. However, the Trustee has previously set responsible investment beliefs and objectives, and where possible will continue to adhere to these beliefs and objectives as follows:

The Trustee believes long-term sustainability to be an important and relevant issue to consider throughout the investment process. In particular, the Trustee recognises that:

- An investment's financial success can be influenced by a wide range of factors, including environmental, social, and governance (ESG) issues (including climate change) and stewardship (including voting and engagement) activities.
- ESG considerations and stewardship are therefore important aspects of responsible financial risk management to protect and enhance the value of investments and should improve long-term member financial outcomes.

The Trustee has considered how sustainability and ESG factors should be considered in the selection, retention and realisation of long-term investments. This includes climate change which the Trustee recognises can present potentially material risks to a portfolio but could also potentially present new investment opportunities. The view is that these factors form one of the elements of the investment decision-making process and, therefore, should largely be delegated to managers to consider as part of their overall management of this process. As a result, the Trustee expects the Fund's investment managers, where appropriate, to have integrated ESG factors as part of their investment analysis and decision-making process and

will review managers with respect to relevant matters including capital structure of investee companies, actual and potential conflicts, other stakeholders and ESG impact of underlying holdings.

Whilst the Trustee's policy is to delegate a number of stewardship activities to the Investment managers, the Trustee recognises that the responsibility for these activities remains with the Trustee. The Trustee incorporates an assessment of how well the Investment Managers exercise these responsibilities as part of its overall assessment of their performance.

14 The Trustee additionally holds the following beliefs about sustainable investment:

- (i) Long-term sustainability issues can have an impact on risk and outcomes
- (ii) The Trustee's fundamental mission is to meet its financial obligations, and therefore financial considerations must take precedence
- (iii) Sustainable investing encompasses the consideration of long-term thematic opportunities and risks, including, but not limited to, ESG factors
- (iv) ESG factors affect risk and returns over the medium to long-term, and should be taken into account in all investment analysis
- (v) The Trustee's recognise that Climate change could be a material financial risk, but it also could present opportunities.

## Statement of Funding Principles

15 A Statement of Funding Principles ('SFP') specific to the CJC Section has been prepared by the Trustee and the Employer after taking advice from the Scheme Actuary and will be updated after each actuarial valuation. The SFP, among other things, includes a specific deficit recovery plan agreed between the Trustee and the Employer. The Trustee considers that the relevant sections of this Statement of Investment Principles are consistent with the SFP.

## Other matters

16 The Fund is a Registered Pension Scheme for the purposes of the Finance Act 2004.

17 The CJC Section and the Flexible Section are both closed to future accrual of benefits (the Fund closed to future accrual on 31 July 2018). The Trustee takes the impact of closure into account when considering an appropriate investment strategy.

18 The Trustee will annually report on the Fund to the Fund's members.

19 The Trustee recognises several risks involved in the investment of the Fund's assets:

Solvency risk and mismatching risk:

- are measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies.
- are managed through assessing the progress of the actual growth of the liabilities relative to the selected investment policy. For both the CJC and Flexible section, interest rate and inflation sensitivities in the liability contingent reserves are fully hedged to avoid mismatch between the liability contingent reserves and the assets held to meet them.

Liquidity risk:

- is measured by the level of cashflow required by the Fund over a specified period
- is managed by the Fund'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.

Insurer risk:

- is measured by assessing the creditworthiness of the provider of the Fund's insurance policies and the ability of the insurer to meet the likely benefit outgo of the Fund is managed by monitoring the Fund's insurance policy provider
- The Trustee believes that it has four layers of protection in the event of default by Pension Insurance Corporation plc, the covenant of Pension Insurance Corporation Plc, the Financial Compensation Scheme, the covenant of the sponsor and the Pension Protection Fund.

Political risk:

- is measured by the level of concentration of anyone 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.

Sponsor risk:

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

Manager risk:

- is measured by the expected deviation of the prospective risk and return, as set out in the manager(s)' objectives, relative to the investment policy
- is managed by monitoring the actual deviation of returns relative to the objective and factors supporting the manager(s)' investment process.

Custodian risk:

- is measured by assessing the custodian bank and the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody
- is managed by monitoring the custodian's activities and discussing the performance of the custodian with the investment managers when appropriate.

Sustainability and Corporate Governance risk:

- is measured by the level of ability and willingness of the sponsor to support the continuation of the Fund and to make good any current or future deficit
- is managed by assessing the interaction between the Fund and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor.

## B. Plan 18

### Investment Policy

- 20 The retirement benefits to be provided for each member under Plan 18 ("the Plan"), the defined contribution section of the Fund, are directly linked to the accumulated value of the contributions paid by them and of the Employer on their behalf. Following the closure of the Plan on 31 July 2018, no further contributions have been paid and the level of pension benefit will now depend on two factors:
- (i) The return on a member's accumulated fund (based on contributions to 31 July 2018) over the period to their selected date of retirement.
  - (ii) The cost of turning the accumulated fund into pension benefit (i.e. cash, income drawdown or annuity purchase) at retirement.

### Default Arrangements

- 21 The primary investment objective of Plan 18 is to provide members with access to funds that invest in assets offering appropriate levels of liquidity so members can consider a WULS (winding-up lump sum) or a CETV (cash equivalent transfer value) ahead of Fund wind-up. These investments are intended to preserve pots, so that they can be used to secure retirement benefits.
- 22 Following an exercise in February 2021 to rationalise the Fund's Defined Contribution and AVC options, investments which had been held in a policy with Utmost Life & Pensions were transferred to the fund range managed by Legal & General Investment Management (LGIM). Where members had investments in both Utmost and LGIM funds, the proceeds from the sale of the Utmost funds were automatically invested into the same fund options as the members were using from the LGIM range. This created some additional default arrangements.
- 23 Until 2025, the Fund's primary default arrangement which automatically switched members from accumulated funds from higher risk/higher potential return investments to lower risk (or more appropriate) investments as they approach retirement. The pre-retirement allocation was aimed at members who are likely to target a mix of cash and income drawdown. Members could also choose from a number of investment options as the Trustee recognises the default strategy may not meet the needs of all members and attitudes to risk will differ between members.
- 24 In 2025, the Trustee transferred Plan 18 assets into the LGIM Cash Fund (charges included). This fund aims to track the performance of SONIA (Sterling Overnight Index Average) while maintaining a low-risk profile. This is the default investment option.
- 25 The Trustee took action on the back of professional advice and the announcement of the wind up of the Fund. Each member will be offered either a WULS (winding-up lump sum) or a CETV (cash equivalent transfer value). If neither option is taken, the member's DC fund will be used to secure a defined benefit pension with PIC (Pension Insurance Corporation).
- 26 Under defined contribution plans, generally, it is the members, rather than the Employer, who bear the investment risk. Members should therefore be particularly interested in the investment risk /volatility profiles of the investment fund. The benefit arrangements of Plan 18 are such that each member will be provided with a pension of no less than the Guaranteed Minimum Pension in respect of any service before 6 April 1997. The Company would therefore "top-up" a member's benefit if appropriate.
- 27 The Trustee recognises there are a number of risks members invested in the funds may face, however since funds have been transferred to the LGIM Cash fund, a number of

these have now been reduced or mitigated. Some risks the Plan may still be exposed to includes (but not limited to) interest rate risk. At the Plan level, the risks are managed by the Trustee through the appointment and ongoing review of its managers (taking suitable advice from its professional adviser). In the context of long-term DC savings, there are three principal risks as follows.

Inflation risk:

- is the risk that investment returns over members' working lives may not keep pace with inflation and, as a result, do not produce adequate retirement benefits.

Benefit conversion risk:

- is the risk that investment conditions just prior to retirement may increase the cost of turning members' fund values into retirement benefits.
- is managed by investing in cash deposits and other short-term interest-bearing investments for members taking cash at retirement to provide a high degree of (but not complete) capital security. Funds investing in a mix of different assets are expected to be broadly suitable for members planning income drawdown during retirement.

Volatility / Market risk:

- is the risk that falls in fund values before retirement lead to a reduction in retirement benefits.
- is mitigated by investing in cash which is expected to exhibit lower levels of short-term fluctuations in values to manage short term risk.

Liquidity Risk:

- The members accounts are held in funds that trade regularly, typically daily, which can be realized promptly to provide pension benefits from the Fund or transferred to another pension arrangement.
- The Trustee policy is to invest in assets that are sufficiently liquid to allow them to be realized readily and typically daily dealt. The Trustee has decided not to invest directly into illiquid assets at this time.

## Types of funds used

- 28 The Trustee makes available pooled funds through a direct contract with the investment management company. The Trustee has delegated the day-to-day investment decisions including the management of financially material considerations (see below) to the portfolio managers responsible for the various investment funds.
- 29 The Trustee expects that the fund managers will normally be able to sell assets within a reasonable timescale to meet withdrawals.
- 30 The Trustee will seek transparency of all costs and charges borne by members. Investment manager(s) will be asked to report on at least an annual basis on the underlying assets held within fund with details of any transactions and turnover costs incurred over the Plan's reporting year.
- 31 In accordance with the 2015 Regulations, the Trustee conduct an annual Value for Members assessment and will take action should the investment manager(s) be found to be giving poor value. In addition, in accordance with guidance from the Pensions Regulator, the Trustee will periodically review the Plan's choice of investment manager(s) to ensure their charges and services remain competitive.
- 32 The Trustee expect that each fund will be used for at least three years, this being the period over which performance of the fund can be appropriately evaluated and the costs of change amortised, although all funds are subject to ongoing review against various

financial and non-financial metrics in addition to their continued appropriateness within the investment strategy.

- 33 When selecting actively managed funds, the Trustee will consider, with the help of their investment advisers, the investment manager's investment processes and the nature of the fund's assets.
- 34 The Trustee review the nature of the Plan's investment options on a regular basis, with particular reference to suitability and diversification. The Trustee considers written advice from a suitably qualified person when determining the appropriateness of each investment manager and fund for the Plan, particularly in relation to diversification, risk, expected return and liquidity.
- 35 When selecting funds, the Trustee will ask their investment advisor to consider the investment managers' remuneration strategies and appropriateness of each fund's investment guidelines to ensure that there is no inducement or scope to take an undue level of risk and that the investment managers will act in line with the interests of the Plan's members.
- 36 When appointing investment managers' funds, the Trustee will seek to establish that each investment manager has an appropriate conflicts of interest policy in place. When given notice the Trustee will consider the impact of any conflicts of interest arising in the management of the funds used by the Plan.

## Responsible Investment

### (1) Financially and non-financially material considerations

- 37 The Trustee recognises that the consideration of financially material considerations, including ESG factors and climate risk, over the appropriate time horizon are relevant at different stages of the investment of members' defined contribution benefits and the financial materiality of any factor, including ESG factors and climate risk, may be relevant to different degrees according to the asset class or classes in which a fund invests.
- 38 The Plan uses standard pooled funds offered by investment managers. This gives access to a range of funds while keeping down costs to members, but this means that the Trustee cannot adopt an approach to managing financially material considerations specific to the Plan. The Trustee expects its investment manager to take all financially material factors into account where relevant.
- 39 In passive mandates, the Trustee recognises that the choice of benchmark dictates the assets held by the investment manager and that the manager has minimal discretion to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive manager is to deliver returns in line with the market and believe this approach is in line with the basis on which their current strategy has been set.
- 40 In active mandates, the Trustee recognises that the manager has freedom to exercise discretion as to the choice of assets held. The Trustee expects the manager to take into account all financially material factors in the selection of assets within their portfolios and to be able to demonstrate their approach when challenged.
- 41 Non-financially material factors are the views of members and beneficiaries including (but not limited to) their ethical views and their views in relation to social and environmental impact and present and future quality of life of the members and beneficiaries of the Plan. Given the Plan closure and overall objectives of the Plan, the Trustee has not sought to consider non-financially material factors in the development of the strategy.
- 42 Members have the opportunity to invest part of the contributions in an 'ethical' investment option, where the selection, retention and realisation of investments is made with particular regard to ESG issues.
- 43 The Trustee will consider financially material considerations, including ESG factors and climate risk in the development and implementation of the Plan's investment arrangements for the purposes of determining the selection, retention and realisation of investments where there is sufficient data or evidence to allow them to systematically do so. The Trustee will engage with their investment managers to ensure they take such considerations into account within their decision making.

### (2) Stewardship

- 44 The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies.
- 45 The Trustee believe that engagement with the companies in which the Plan invests through pooled investment funds, including the proactive use of shareholder voting rights, can improve the longer-term returns on the Plan's investments.
- 46 The Trustee's stewardship activities are to be focused on the default arrangement which is used by the largest number of members.
- 47 The Trustee has adopted a policy of delegating voting decisions on stocks to their investment managers on the basis that voting power will be exercised by them with the objective of preserving and enhancing long term shareholder value. The investment manager is expected to exercise the voting rights attached to individual investments in accordance with their own house policy.



48 The Trustee does not engage directly but believes it is sometimes appropriate for its investment manager to engage with key stakeholders, which may include corporate management, regulators and governance bodies, relating to their investments to improve corporate behaviour, performance and mitigate financial risks. The Trustee will request, where appropriate and practicable, that the investment manager(s) notify the Trustee of any issue on which it may be beneficial for the Trustee to undertake further engagement. The Trustee will review engagement activities undertaken by its investment manager where appropriate as part of its broader monitoring activity.

49 The Trustee will receive reports from the investment manager(s) on their voting activity at least annually and in conjunction with their investment adviser will use this information as a basis for discussion.

Investment manager(s) will be challenged both directly by the Trustee and by their investment advisers on the impact of any significant issues including shareholder voting record, conflicts of interests and, where appropriate, ESG issues that may affect the prospects for return from the portfolio. When considering its policy in relation to stewardship including engagement and voting, the Trustee expects investment managers to address broad ESG considerations but has identified climate change and human and labour rights as key areas of focus for the Trustee.

50 Where appropriate, the Trustee will engage with and seek further information from their investment manager on how portfolios may be affected by a particular issue.

## **C. Additional Voluntary Contributions (“AVCs”)**

### **Introduction**

- 51 The retirement benefits to be provided for each member’s AVCs are directly linked to the accumulated value of the contributions paid. On retirement, the individual member's accumulated contributions will be available to secure lump sum and pension benefits. The level of pension benefit for a given level of contribution will principally depend on two factors:
- (i) The return on a member’s accumulated fund (based on contributions to 31 July 2018) over the period to their selected date of retirement
  - (ii) The level of annuity prices at retirement when the pension is purchased

### **Investment Objective**

- 52 Because AVCs are additional to each member’s main pension benefit from the Fund, the primary investment objective of the AVC arrangements is to provide a range of investment options which include defensive funds as well as more return-oriented funds.

### **Investment Risk**

- 53 Under the AVC arrangements, it is the members, rather than the Employer, who bear the investment risk. Members should therefore be particularly interested in the investment risk/volatility profiles of the investment funds available.

### **Investment Options**

- 54 Members can choose from a number of investment options (including the investment options available to Plan 18 members) for the investment of contributions.
- 55 The Trustee feels that it is appropriate to offer a greater choice of investment options for AVC contributions than for Plan 18 contributions. Consequently, the Trustee offers access to additional funds as deemed appropriate.

Signed:

Name:

Date:

Authorised for and on behalf of the Trustee of the Fund