Barloworld UK Pension Scheme
Statement of Investment Principles ("SIP")

1. Scope of Statement

This Statement of Investment Principles ("the Statement") has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005).

The effective date of this Statement is 30 September 2019. The Trustee will review this Statement and the Scheme's investment strategy no later than three years after the effective date of this statement and without delay after any significant change in investment policy.

A copy of this Statement is available to the members of the Scheme on request.

Details on the Scheme's investment arrangements are set out in the Investment Policy Implementation Document ("IPID").

2. Responsibility for the Scheme's investment strategy

The Trustee of the Barloworld UK Pension Scheme ("the Scheme") has consulted with the relevant Employer, prior to writing this Statement and will take the Employer's comments into account when it believes it is appropriate to do so.

Overall investment policy falls into two parts:

(i) The strategic management of the assets is fundamentally the responsibility of the Trustee and is driven by its investment objectives as set out below. Written advice has been obtained on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by KPMG LLP who are authorised and regulated by the Financial Conduct Authority.

(ii) The day to day management of the Scheme's assets has been delegated to investment managers who are appropriately authorised and regulated as required under the Financial Services and Markets Act 2000 (amended by the Financial Services Act 2012).

The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;

- The exercise of rights (including voting rights) attaching to the investments;

- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustee take investment managers' policies into account when selecting and monitoring managers. The Trustee also take into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise powers of investment delegated to them, with a view to following the principles contained within this statement, so far as is reasonably practicable.

As the Scheme's assets are invested in pooled vehicles, the custody of the holdings is arranged by the investment manager.

The Trustee also retains responsibility for the following:

- Appointing (and dismissing) the investment managers including deciding on the passive/active split, and agreeing with them their benchmarks and remuneration;

- Manager monitoring and reporting to the Trustee;

- Deciding on whether to offer further fund options;

- Administration and custody of the Scheme assets.

3. Objectives

The Trustee's objectives for setting the investment strategy of the Scheme have been set with regard to the Scheme's Statutory Funding Objectives as set out in the Statement of Funding Principles.

The Trustee's primary objectives are:

- "Funding objective" - to ensure that the Scheme is fully funded on a least risk basis with prudent mortality. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the Employer;

- "Stability objective" – to have due regard to the likely level and volatility of required contributions when setting the Scheme's investment strategy;

- "Security objective" – to ensure that the solvency position of the Scheme (as assessed on a gilt basis) is expected to improve. The Trustee will take into account the strength of Employer's covenant when determining the expected improvement in the solvency position of the Scheme.

4. Choosing Investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cashflow requirements, the Funding level of the Scheme and the Trustee's objectives.

The assets of the Scheme are invested in the best interests of the members and beneficiaries. This means that due consideration is given to the security of the assets as well as the need to generate an appropriate return. The priority of the Trustee when considering these factors is the needs of the members and the beneficiaries.

The Trustee exercises its powers of investment (or delegation where these powers have been delegated to a Scheme manager) in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk a range of assets is held. The diversification is both within and across the major asset classes.

Assets held to cover the Scheme's Technical Provisions (the liabilities of the Scheme) are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

The Scheme's investment strategy was derived following careful consideration of the factors set out in Appendix A. The considerations include the nature and duration of the Scheme's liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of employer contributions required to fund the Scheme, and also the strength of the sponsoring company's covenant. The Trustee considered the merits of a range of asset classes.

The assets of the Scheme are invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Investment in derivatives is made in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

The Scheme now has two buy-in policy investments. The first with Pension Insurance Corporation ("PIC") was established in May 2013, and the second with Scottish Widows ("SWIP") was completed in April 2016. The buy-in policies cover a proportion of the Scheme's pensioner liabilities.

Specific details of the investment management arrangements and any investment in derivatives are provided in the IPID.

5. The Balance Between Different Kinds of Investments

The Trustee recognises that the key source of financial risk (in relation to meeting their objectives) arises from asset allocation.

It therefore retains responsibility for setting asset allocation, and takes expert advice as required from its professional advisers.

The Trustee reviews its investment strategy following each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). The Trustee takes written advice from its professional advisers regarding an appropriate investment strategy for the Scheme. A broad range of available asset classes have been considered. This includes consideration of so called "alternative" asset classes (including property, DGF's and hedge funds).

The asset allocation is set out in the IPID.

6. Investment Risk Measurement and Management

The Trustee recognises that the key source of financial risk (in relation to meeting their objectives) arises from asset allocation. This is assessed triennially in conjunction with the actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way), following which the Trustee takes advice on the continued appropriateness of the existing investment strategy.

Employer Covenant

Risks associated with changes in the employer covenant are assessed by monitoring the Failure Score (as defined for the purposes of calculating the risk-based element of the Pension Protection Fund levy). The Trustee also has an agreement with the Employer to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring employers in particular, the Trustee will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator and Employer-related Notifiable Events. On receipt of such notification, the Trustee will re-consider the continued appropriateness of the Scheme's existing investment strategy.

Fund Managers

The Trustee is responsible for monitoring the risks arising through the selection or appointment of investment managers and meeting with them on a regular basis to review their performance. The Trustee has delegated this responsibility to KPMG LLP, who provide the Trustee with reports covering the performance of the managers.

The Trustee acknowledges that investment returns achieved outside the expected deviation (positive or negative) may be an indication that the investment manager is taking a higher level of risk than indicated.

The Trustee has appointed KPMG LLP to alert them on any matters of material significance that might affect the ability of each investment manager to achieve its objectives.

Regarding the two buy-in policies, the Trustee will delegate all day-to-day decisions about the operations that fall within the insurance mandates to the two insurance companies through written contracts.

7. Custody

Investment in pooled funds gives the Trustee the right to the cash value of the units rather than to the underlying assets. The managers of the pooled funds are responsible for the appointment and monitoring of the custodian of the fund's assets.

8. Realisation of Investments/Liquidity

The Trustee recognises that there is a risk in holding assets that cannot be easily realised should the need arise.

The majority of the assets held are realisable at short notice (either through the sale of direct holdings of stocks, bonds etc. or the sale of units in pooled funds).

9. Investment Manager Monitoring and Engagement

The Trustee monitor and engage with the Scheme's investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustee seek to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement
Performance, Strategy and Risk	• The Trustee receive a quarterly performance report which details information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant Trustee meeting.	• There are significant changes made to the investment strategy. • The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustee's expectations. • Underperformance vs the performance objective over the period that this objective applies.
Environmental, Social, Corporate Governance factors and the exercising of rights	• The Trustee receive information from their investment advisers on the investment managers' approaches to engagement.	• The manager has not acted in accordance with their policies and frameworks. • The manager's policies are not in line with the Trustee's policies in this area.

Through the engagement described above, the Trustee will work with the investment managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustee will review the relevant investment manager's appointment and may consider terminating the arrangement.

10. Additional Voluntary Contributions ("AVCs") Arrangements

Some members obtained further benefits by paying Additional Voluntary Contributions (AVCs) to the Scheme. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions.

The Trustee will monitor and regularly review the performance of all members' AVC assets. In addition, the Trustee maintains a bank account for administration purposes.

More details of the AVC's are provided in the IPID.

11. Compliance with this Statement

The Trustee will monitor compliance with this Statement annually.

Andrew Bradshaw		23/09/2019
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Name (Print)	Signature	Date

Signed for and on behalf of the Trustee of the Barloworld UK Pension Scheme

Andrew Bannister		26 September 2019
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Name (Print)	Signature	Date

Signed for and on behalf of the Trustee of the Barloworld UK Pension Scheme

Appendix A – Risks, Financially Material Considerations and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustee have considered and sought to manage is shown below.

The Trustee adopt an integrated risk management approach. The three key risks associated with this framework and their management are stated below:

Risks	Definition	Policy
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	• Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength. • Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	• Funding risk is considered as part of the investment strategy review and the actuarial valuation. • The Trustee will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	• When developing the Scheme's investment and funding objectives, the Trustee will take the covenant into account and ensure that the level of risk the Scheme holds is appropriate for the covenant to support.

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge 50% of these risks relative to the Scheme's liabilities on a technical provisions basis.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.
Market	Losses due to factors that affect the performance of financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.
Credit	Default on payments due as part of a financial security	To diversify this risk by investing in a range of credit markets across different

	contract.	geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Responsible Investment ('RI') Policy / Framework 2. Implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI Signatory The Trustee monitor the mangers on an ongoing basis.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Hedge all currency risk as so far as is reasonably possible.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix B – Investment Management Arrangements

The Trustee have the following policies in relation to the investment management arrangements for the Scheme:

How the investment managers are incentivised to align their investment strategy and decisions with the Trustee policies.	As the Scheme is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustee's policies. However, the Trustee invest in a portfolio of pooled funds that are aligned to the strategic objective.
How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.	The Trustee review the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. The Trustee monitor the investment managers' engagement and voting activity on an annual basis as part of their ESG process. The Trustee do not incentivise the investment managers to make decisions based on non-financial performance.
How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustee policies.	The Trustee review the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. The Trustee evaluate performance over the investment manager's performance period, which is typically 3 to 5 years.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor portfolio turnover or turnover range.	The Trustee do not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
The duration of the Scheme's arrangements with the investment managers	The duration of the arrangements is considered in the context of the type of fund the Scheme invests in. For open ended funds, the duration is flexible and the Trustee will from time-to-time consider how appropriate these investments are and if they should continue to be held.