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01 Introduction

This document constitutes the Statement of Investment Principles ("the SIP") required under Section 35 of the Pensions Act 1995 for the Banner Business Supplies Limited Pension Scheme ("the Scheme"). It describes the investment policy being pursued by the Trustees of the Scheme and is in accordance with the Government’s voluntary code of conduct for Institutional Investment in the UK ("the Myners Principles"). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

The Scheme Actuary is John Gordon of XPS Pensions Consulting Limited and the Investment Adviser is XPS Investment Limited (collectively termed ‘the Advisers’).

The Trustees confirm that, before preparing this SIP, they have consulted with the employer, Banner Group Limited ("the Employer") and the Advisers and have obtained and considered written advice. The Trustees believe the Advisers to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge of the investment arrangements that the Scheme requires.

The Trustees are responsible for the investment of the Scheme’s assets and the administration of the Scheme. Where they are required to make an investment decision, the Trustees will first seek advice from the Investment Adviser that the investment is suitable given the investment objectives of the Scheme detailed in section 3 and the need for adequate diversification.

Given the size of the Scheme and the need for diversification, the Trustees have decided the most cost effective way of investing the Scheme assets is to invest in pooled funds managed by an organisation, rather than directly appointing an individual investment manager. Decisions about which pooled funds to invest in are made after receiving investment advice from the Investment Adviser. The Trustees have an investment management agreement in place with Schroders ("the Investment Manager") which provides for automatic rebalancing of the allocation to different pooled funds if market movements result in the exposure to different funds moving outside the target allocation range. The Investment Manager also has limited discretion to invest surplus cash and make disinvestments in such a way as to bring the current asset allocation closer to the target allocation.

01.01 Version 5.0

This Version 5.0 updates and replaces Version 4.0. The changes to the overall strategy from that documented in Version 4.0 include the following:

- introduction of Trustee’s policy on Environmental, Social and Governance considerations.

01.02 Declaration

The Trustees confirm that this Statement of Investment Principles reflects the Investment Strategy they have decided to implement. The Trustees acknowledge that it is their...
responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are
invested in accordance with these Principles.

Signed For and on behalf of the Trustees of the Scheme

30.9.19

Date
02 Scheme Governance

The Trustees are responsible for the governance and investment of the Scheme's assets. The Trustees consider that the governance structure set out in this SIP is appropriate for the Scheme as it allows the Trustees to make the important decisions on investment policy, while seeking advice where necessary and delegating the day-to-day aspects to the Investment Managers. The responsibilities of each of the parties involved in the Scheme's governance are detailed in Appendix A.
The Trustees' primary investment objective for the Scheme is to seek to achieve an overall rate of returns that is sufficient to ensure that the assets are available to meet all liabilities as and when they fall due. In doing so, the Trustees also aim to hold suitable assets (having regard to the risks set out in Section 8 of this Statement) which will generate income and capital growth to meet, together with contributions from the Company, the cost of the benefits the Scheme provides.

The Trustees also have a secondary objective to target an investment return at least as great as the assumption made for future investment returns for the purposes of calculating the Technical Provisions under the Scheme's most recent actuarial valuation.

The Trustees also have an objective to reduce the investment risk as the funding level improves.
04 Asset Allocation Strategy

The Trustees have taken the view that the investment objective is best achieved by determining, and investing in accordance with, an appropriate split between "on-risk" assets (e.g. equities, property, high-yield corporate bonds and diversified growth funds) and "off-risk" assets (e.g. fixed and index-linked gilts high quality corporate bonds and liability matching funds).

The allocation between the asset classes making up the on-risk and off-risk assets will vary over time to reflect, amongst other factors, the timing profile of the liabilities, the strength of the employer's covenant and the perceived risk to the primary investment objective arising from any shortfall in the funding of the Scheme. The current benchmark and target allocation is set out in Appendix B, together with a summary of the Trustees' de-risking strategy and any changes in such allocations other than in line with the de-risking strategy will only be made after receiving written advice from the Investment Advisers that such allocation remains consistent with the investment objectives.

Due to the size of the Scheme, the Trustees have decided to use pooled funds to invest the Scheme's assets.

04.01 Rebalancing policy

The current Investment Manager operates an automatic rebalancing policy. If the actual allocation moves further than the permitted range set out in the investment management agreement, the Investment Manager will automatically switch assets back to the benchmark allocation via the application of cashflows or switches between asset classes.

Cash inflows into the Scheme and cash outflows from the Scheme will be invested or disinvested respectively by the Investment Manager so as to minimise the need to rebalance.

04.02 Rates of return

The target rates of return for each asset class are detailed in Appendix B.

04.03 Diversification

The Trustees have sought to achieve diversification by investing in pooled funds which have investment restrictions i.e. funds which impose concentration limits on individual positions and limits on the exposure to individual issuers. Generally speaking each asset class would expect to have different issuers and therefore add to the diversification of the Scheme. The Trustees will monitor the strategy regularly to ensure that they are comfortable with the level of diversification.
04.04 Suitability

The Trustees have taken advice from the relevant Advisers to ensure that the asset allocation strategy is suitable for the Scheme, given its investment objectives.

The Trustees have chosen to hold a portion of the Scheme’s assets in pooled liability matching funds (the ‘off-risk’ assets) to provide some degree of matching with the Scheme’s liabilities.

The aim of the return-seeking assets (e.g. the diversified growth funds) is to provide additional expected return above that achieved by the off-risk assets, consistent with the investment objectives.

04.05 Liquidity

All of the non-cash assets are held in pooled funds with frequent dealing dates.
The Trustee has decided to invest in passively and actively managed funds as appropriate dependant on whether the Investment Manager is expected to be able to add sufficient value to justify the higher fees in active funds.

05.01 Mandate and performance objectives

The Trustees have received advice on the appropriateness of each pooled fund that the Scheme is invested in from the Investment Advisers and believe them to be suitable to meet the Scheme's investment objectives. The target benchmark for each fund currently held is set out in Appendix B.

05.02 Manager agreement

Although the Scheme is invested in pooled funds and as such there is no formal agreement between the Trustees and an individual fund manager relating to investments in each asset class, there is an investment management agreement covering the rebalancing arrangements between asset classes and the de-risking strategy.

05.03 Diversification

The assets are invested in pooled funds with diversification requirements. The Trustees will monitor the strategy regularly to ensure that they are comfortable with the level of diversification being achieved.

05.04 Custody

Custody of the underlying assets is at the discretion of the pooled funds, whilst shares and/or units in the funds are held in book form only. Cash is held securely in separate accounts with approved counterparties.
06 Monitoring

06.01 Pooled funds
The Trustees will monitor the performance of the funds against their stated performance objectives.

The Trustees, or the Advisers on behalf of the Trustees, will regularly review the performance of the funds to satisfy themselves that the funds remain suitable and that the funds are of sufficient size that the liquidity risk remains minimal.

If the Trustees are not satisfied with the performance of the funds they will ask the manager of those funds what steps they intend to take to rectify the situation. If the funds still do not meet the Trustees' requirements, they will look to purchase other funds - potentially with a different manager - after consultation with the Investment Adviser.

06.02 Advisers
The Trustees will monitor the advice given by the Advisers on a regular basis.

06.03 Other
The Trustees are required to review this SIP on a triennial basis, or, without undue delay, following any changes to the investment strategy.
07 Fees

07.01 Funds

The Trustees will ensure that the fees charged by funds and their expense ratios are consistent with levels typically available in the industry for similar funds. The current fee basis for each of the funds is set out in Appendix B.

The Trustees are aware of the investment manager policy regarding soft commission arrangements. Information about the investment manager's fees, commissions and other transaction costs is available in the annual report of the pooled funds in accordance with the Financial Conduct Authority ('FCA') Disclosure Code.

07.02 Advisers

Fees paid to the Advisers are based on a fixed retainer fee for regular investment services, or on actual time spent and hourly rates for relevant individuals, or on fixed fees agreed in advance for specifically defined projects.

07.03 Custodian

There is no custodian appointed directly by the Trustees and custody costs are included within fund charges.

07.04 Trustee

The Independent Trustee is paid for their duties. None of the other Trustees are paid directly for their duties. Their expenses are met and they are given time off from their other employment duties to attend the periodic Trustees' meetings.
08 Risks

The Trustees recognise a number of risks involved in the investment of assets of the Fund:

i. The risk of failing to meet the objectives as set out in Section 3 - the Trustees will regularly monitor the investments to mitigate this risk.

ii. The risk of adverse consequences arising through a mismatch between the Scheme’s assets and its liabilities. This is addressed through the asset allocation strategy and through regular actuarial and investment reviews and monitoring the funding target.

iii. Risk of lack of diversification of investments - addressed through investing in pooled funds with diversification requirements and through the asset allocation policy.

iv. Liquidity Risk - addressed through the use of pooled funds with frequent dealing dates.

v. Underperformance risk - addressed through monitoring closely the performance of each fund and taking necessary action when this is not satisfactory.

vi. Organisational risk - addressed through regular monitoring of the Investment Manager and the Advisers.

vii. Manager risk - addressed through use of passive funds and/or regular monitoring of the Investment Manager.

viii. Sponsor risk - the risk of the Employer ceasing to exist, which for reasons of prudence, the Trustees have taken into account when setting the asset allocation strategy.

ix. Environmental, Social and Governance (ESG) risk - the risk that environmental, social and governance factors are not given significant consideration. This is addressed by having a policy whereby the Trustees’ investment managers are required to give appropriate consideration to these factors in relation to current and future investment decisions made.

There are other day to day risks which are monitored by the Investment Manager such as currency risks, counterparty risks and market risks.

The Trustees will keep these risks under regular review.
09 Other issues

09.01 Statutory Funding Requirement

The Trustees will obtain and consider proper advice on the question of whether the investments are satisfactory having regard to both the investment objectives, the need for adequate diversification and the requirement to meet statutory funding requirements. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation every three years.

The Trustees will consider with the Advisers whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the statutory funding requirement and the investment objectives.

09.02 Environmental, Social and Governance (ESG)

The Trustees believe that Environmental, Social and Governance (ESG) related risks, including climate change risks, are an important component of investment risk. The Trustees believe that organisations that soundly manage ESG related risks are more likely to be financially sustainable over time, and therefore deliver better long-term risk-adjusted returns. The Trustees believe that consideration of ESG risks is a financially material component of their investment framework.

- **Environmental factors** include climate change, resource, especially water, scarcity, and waste treatment practices. The Trustees recognise that climate change is a key environmental challenge that poses both risks and opportunities. These may take the form of rising physical losses from extreme weather in the short term, the medium-term impacts from the implementation of climate change policy, and the longer-term impacts if global temperature rises are not limited.

- **Social factors** include diversity, human capital management, health and safety, customer and supplier relationships, and interactions with local communities, regulators and governments. Organisations today must recognise that they operate under a social licence, and that relationships with stakeholders should reflect these obligations.
• **Governance factors** include business ethics, transparency of company management and reporting, executive remuneration and board structure. Well-governed organisations typically face lower levels of ESG risk as a result of a strong governance culture and appropriate policies and procedures, enabling them to deliver sustainable long-term returns.

The Trustees require the Scheme's investment managers to integrate analysis of relevant ESG issues into their investment processes. The Trustees monitor how our investment managers take ESG issues into account in practice on a regular basis. The Trustees' policy is that non-financial matters should not be taken into account in the selection, retention and realisation of investments.

**09.03 Stewardship and Voting rights**

The Trustees have instructed the fiduciary manager to exercise their voting and other rights as shareholders in a manner they believe to be consistent with best practice in relation to Corporate Governance and in accordance with the Institutional Shareholders' Committee's ("ISC") Statement of Principles on the Responsibilities of Institutional Shareholders and Agents.

The Trustees recognise the Scheme's responsibility as a long term institutional investor to support and encourage good corporate governance practices in the companies in which it invests.

The Trustees therefore require their fiduciary manager in their stewardship of the Scheme's assets to pay appropriate regard to relevant corporate governance, social, ethical and environmental considerations when considering the purchase, retention or sale of investments.

**09.04 Additional Voluntary Contributions**

Prior to its closure, the Scheme provided a facility for members to pay Additional Voluntary Contributions ("AVCs") into the Scheme. The Trustees' objective with regard to the AVC facility is to seek to provide steady investment returns over the long term with an acceptable level of risk. Although no further contributions will be paid into these arrangements, existing AVC funds continue to be held with Equitable Life.
Appendix A
Responsibilities

**Trustee**
The Trustee of the Scheme is responsible for, amongst other things:

i. Determining the investment objectives of the Fund and reviewing these from time to time.
ii. Agreeing an investment strategy designed to meet the investment objectives of the Scheme.
iii. Reviewing at least triennially the content of this SIP and modifying it if deemed appropriate, in consultation with the Advisers.
iv. Reviewing the suitability of the investment policy following the results of each actuarial or investment review, in consultation with the Investment Advisers.
v. Assessing the quality of the performance and process of the pooled funds by means of regular reviews of the investment results and other information, by way of meetings and written reports, in consultation with the Advisers.
vi. Selecting pooled funds which are consistent with the investment strategy after consultation with the Advisers.
vii. Assessing the ongoing effectiveness of the Advisers.
viii. Consulting with the Employer when reviewing investment policy issues.
ix. Monitoring compliance of the investment arrangements with this SIP on an ongoing basis.
x. Monitoring the quality of the employer covenant;
xii. Informing the Advisers of any changes to Scheme benefits, significant changes in membership.

**Investment Adviser**
The Investment Adviser will be responsible for, amongst other things:

i. Participating with the Trustees in reviews of this SIP.
ii. Advising the Trustees how any changes within the Scheme’s benefits, membership and funding position may affect the manner in which the assets should be invested.
iii. Advising the Trustees of any changes in the funds that could affect the interests of the Scheme.
iv. Undertaking reviews of the Scheme’s investment arrangements including reviews of the asset allocation policy and current pooled funds and advising on the selection of new funds.

**Scheme Actuary**
The Scheme Actuary will be responsible for, amongst other things:

i. Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels.
ii. Commenting on the appropriateness of the investment strategy relative to the liabilities of the Scheme at the triennial valuations.
iii. Advising the Trustees of any changes to contribution levels and funding level.
Appendix B
Pooled Funds

The Trustees have appointed one Investment Manager: Schroder Pension Management Limited ("Schroders"), to manage the assets of the Scheme.

The mandate for the Investment Manager is as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Strategic allocation (%)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return-seeking assets (Growth)</td>
<td>70</td>
</tr>
<tr>
<td>Diversified Growth Fund (DGF)</td>
<td>70</td>
</tr>
<tr>
<td>Matching Assets</td>
<td>30</td>
</tr>
<tr>
<td>Pooled Liability matching funds</td>
<td>30</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

*This shows the initial stage of the flight path. The strategic allocation will change over time as set out in the summary overleaf.

**The target liability coverage is 100% of the asset value. The amount of leverage in the strategy will decrease over time.

Expected Returns and Performance Monitoring

The Trustees have agreed the following performance target with Schroders:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schroder DGF</td>
<td>CPI + 5% p.a. over a 5-7 year period</td>
</tr>
<tr>
<td>Cash and pooled liability</td>
<td>To provide liability cover (in respect of</td>
</tr>
<tr>
<td>matching funds</td>
<td>movements in inflation and interest rates)</td>
</tr>
<tr>
<td></td>
<td>as set out in the Flight Path.</td>
</tr>
</tbody>
</table>

Source: Schroders
Fees

The investment management fees paid to the Investment Manager are as follows:

<table>
<thead>
<tr>
<th>Fund/Service</th>
<th>Charged on</th>
<th>AMC   p.a.</th>
<th>OCF   p.a.</th>
</tr>
</thead>
<tbody>
<tr>
<td>DGF</td>
<td>Assets under management</td>
<td>0.65%</td>
<td>0.69%</td>
</tr>
<tr>
<td>Cash Fund</td>
<td>Assets under management</td>
<td>0.00%</td>
<td>0.05%</td>
</tr>
<tr>
<td>Pooled Liability matching funds</td>
<td>Liability Coverage</td>
<td>0.10%</td>
<td>0.11%*</td>
</tr>
<tr>
<td>Swift management fee</td>
<td>Assets in liability matching funds</td>
<td>0.05%**</td>
<td>-</td>
</tr>
<tr>
<td>Minimum fee</td>
<td></td>
<td>-</td>
<td>£50,000</td>
</tr>
</tbody>
</table>

* The LDI funds have an additional 0.05% charged on the assets in the LDI funds
** Schroders have waived the Flight Path Swift management fee of 0.05% per annum on the growth assets and cash fund investments. For operational reasons, Schroders are unable to waive the fee on the assets invested in the pooled liability matching funds.

The Trustees have agreed a de-risking strategy with Schroders whereby the proportion of matching assets, and the liability matching level, is increased when the funding level on a self-sufficiency basis improves.

Details of this de-risking path are as follows: