Romo Limited Pension Scheme

Statement of Investment Principles

1. Introduction

1 .1. This is the Statement of Investment Principles prepared by the Trustees of the Romo Limited Pension Scheme (the Scheme). This statement sets down the principles which govern the decisions about investments that enable the Scheme 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. In preparing this statement the Trustees have consulted Romo Limited, the Principal Employer, and G Foden FIA, the scheme actuary.

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 Trustees 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 Trustees are set out in Clause 18 of the Consolidated Trust Deed & Rules, dated 24 April 2006. This statement is consistent with those powers.

2. Choosing investments

2.1. The Trustees' policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.

2.2. The day-to-day management of the Scheme's assets is delegated to one or more investment managers. The investment managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.

2.3. The Trustees review the appropriateness of the Scheme'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. The Trustees will also consult the employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustees have discussed key investment objectives in light of an analysis of the Scheme's liability profile as well as the constraints the Trustees face in achieving these objectives. As a result, the Trustees' main investment objectives are:

- to ensure that the Scheme can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's required contribution levels;
- to invest in assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from the participating employer, the cost of benefits which the Scheme provides;
- to reduce the risk of the assets failing to meet the liabilities over the long term;
- to minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the above objectives.

3.2. The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities. The Trustees have obtained exposure to investments that they expect will meet the Scheme's objectives as best as possible.

4. Kinds of investments to be held

4.1. The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives.

4.2. The Trustees have decided that there will be no self-investment with the Principle Employer or any Associated Employer.

5. The balance between different kinds of investments

5.1. The Scheme invests in assets that are expected to achieve the Scheme's objectives.

5.2. The Trustees consider the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes.

5.3. From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.

5.4. The Trustees are aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation will be expected to change as the Scheme's liability profile matures.

Romo Limited Pension Scheme

6. Risks

6.1 The benefits payable to current pensioners are effectively fixed payments, subject only to increases due to inflation. In order to minimise the risk of not being able to meet such payments in full as they fall due it is common for trustees to hold securities to meet such liabilities that provide some form of capital protection, such as fixed interest securities of an appropriate duration. The holding of gilts may be considered to be a low-risk option.

6.2 The benefits for some deferred pensioners (the younger members) are not expected to come into payment for some time. Trustees may, therefore, consider that it is reasonable to match the liabilities relating to those members with securities that provide a degree of growth, such as equity type investment. Provided that there is sufficient time before the expected date of the payment of the benefits (which time will vary for each member) the potentially fluctuating values of equity type investment may be accommodated to enable the trustees to gain the expected higher levels of investment return over the longer period expected from such investment.

6.3 In order to minimise risk, it would be appropriate, therefore, for the Scheme to hold a basket of securities to match the nature of the Scheme's liabilities i.e. fixed interest (possible gilt) securities to match the liabilities of current pensioners, equity type investment to match the liabilities of the younger deferred pensions and a mix of fixed interest and equity type investment on a sliding scale for those approaching the expect date of retirement.

6.4 It should be noted that for this Scheme the requirement to hold fixed interest securities under matched investment strategy will become progressively more relevant given that the Scheme is closed to new members.

6.5 It should also be noted that risk is also minimised if the funding strategy is based on assumptions that reflect the matched investment strategy. That could be achieved, at least in part, by setting the annuity rate of interest by reference, at least in part, to the yield available on equity type investment.

6.6 It should be noted that any rate of return considered reasonable can be expressed as yield on gilts plus a margin by varying the size of that margin.

6.7 The Trustees will, therefore, need to monitor investment performance on a regular basis to ensure that any such underperformance is identified at an early stage so that it can be discussed with the Employer and the effects on the Scheme's funding position rectified.

6.8 The degree to which the Trustees are prepared to accept risk will depend upon a number of factors. The risk to the Trustees is that if there is any underperformance and the Scheme's deficit is increased additional contributions may be required from the Employer. The Employer should therefore, be made aware of that situation and should confirm its willingness to support the Scheme if such situations arise in the future. The Trustees need to be confident that the Employer will be in existence and in a financial position to support the Scheme at that time. The Trustees, therefore, need to assess the strength of the Employer's covenant and, if necessary, should consider taking independent advice for that purpose. If there is any doubt about the strength of the Employer's covenant then the Trustees should reconsider their investment policy and any Recovery Plan.

7. Expected Investment Returns

7.1 Based on the above assumptions the Trustees have estimated that the overall investment rate of return that might be expected from the Scheme's actual total invested assets at 31 December 2020 was approximately 3.05% per annum. That rate is equivalent to the yield implied by the BoE UK nominal spot curve data of a term of 15 years at the review date plus a margin of approximately 2.50% per annum.

7.2 It should be noted that these calculations are very approximate particularly because the Trustees have had to make assumptions with regard to the nature of some of the Scheme's investments. Further, the calculations are based on yields implied by standard indices representing the sector types into which the Scheme's assets were invested at the review date. Those yields are not based on the Scheme's actual investments, which are very specific and limited in number.

7.3 The Trustees need to be satisfied that interest rates used to value Technical Provisions and the overall investment rate of return on which the Recovery Plan (to be agreed with the Employer to eliminate the deficit disclosed by the provisional scheme-specific actuarial valuation) will be based, can also be justified by the likely levels of investment returns that might be achieved in the future based on the Scheme's prevailing investment strategy. They should not rely on these very approximate calculations. They should, if they have not already done so, seek the advice of their investment adviser.

8. Realisation of investments

8.1. The Trustees have delegated the responsibility for buying and selling investments to the investment managers. The Trustees have considered the risk of liquidity as referred to above.

8.2. Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustees are 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 Scheme accounts.

9. Stewardship, engagement, voting and other rights

9.1. The Trustees believe that good stewardship and positive engagement can lead to improved governance and better risk-adjusted investor returns. The Trustees delegate the exercise of the rights (including voting rights) attaching to the Scheme's investments to their investment managers (who are signatories to the UK Stewardship Code where applicable).

9.2. In selecting and reviewing their investment managers, where appropriate, the Trustees will consider the investment managers' policies on stewardship and engagement and evidence of how active the manager has been in this area. The Trustees discuss stewardship and engagement with their investment advisers on a regular basis.

10. Policy on arrangements with asset managers

Incentivising alignment with the Trustees' investment polices

10.1. The Trustees review the investment manager's investment benchmark, and their approach to the management of Environmental, Social and Governance (ESG) and climate related risks to ensure they are aligned with the Scheme's investment aims and constraints.

10.2. The Trustees carry out a strategy review, typically every 3 years, where they assess the continuing relevance of the strategy in the context of the scheme and their aims, beliefs and constraints.

10.3. In the event that the investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be reviewed.

10.4. Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager, where relevant.

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

10.5. The Trustees are mindful that the impact of ESG and climate change may have a long-term nature. However, the Trustees recognise 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 Trustees have acknowledged this in their investment management arrangements.

10.6. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over an agreed predetermined rolling timeframe. The Trustees believe 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. Where a fund may have an absolute return or shorter-term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expect this to be sufficient to ensure an appropriate alignment of interests.

10.7. The Trustees expect investment managers to be voting and engaging on behalf of the fund's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short term targets.

Method and time horizon for assessing performance

10.8. Trustees monitor the performance of their investment managers over the medium to long time periods that are predetermined and consistent with the Trustees' investment aims, beliefs and constraints.

10.9. The investment manager is remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less.

Portfolio turnover costs

10.10. The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the regular investment monitoring process.

10.11.The Trustees consider both past and anticipated portfolio turnover levels when assessing investment performance.

Duration of arrangement with asset manager

10.12. All of the Scheme's investment are in open-ended pooled funds and as such there are no pre-agreed timeframes for investment.

10.13. The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment aims, beliefs and constraints is typically assessed every three years, or when changes deem it appropriate to do so more frequently.

Romo Limited Pension Scheme

11. Non-financial matters

11 .1. The Trustees' policy is not to take into account non-financial matters, such as the views of the members and beneficiaries including (but not limited to) their ethical views, on the grounds that the investment objectives of the Scheme will take priority over other considerations.

12. Agreement

12.1. This statement was agreed by the Trustees, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the employer, the investment managers, the actuary and the Scheme auditor upon request.

Signed N. Sexton

Name: NEIL SEXTON

Date 15 MARCH 2022

Signed

Name: KAREN TOWNSLEY

Date 15th MARCH 2022.

On behalf of the Trustees of the
Romo Fabrics Pension Scheme