Brother Staff Retirement Benefits Scheme

Statement of Investment Principles

March 2025

Preface

Scheme background

This Statement of Investment Principles (the 'SIP') details the principles governing investment decisions for the Brother Staff Retirement Benefits Scheme (the 'Scheme').

The Scheme operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries, and provides benefits calculated on a defined benefit (DB) basis. The Scheme is closed to new entrants and to future accrual.

Where the term Sponsor is used in this document it refers collectively to Brother International Europe Limited as Principal Employer ("the Company"), together with Brother UK Limited and Brother Sewing Machines Europe GMBH as Participating Employers.

The Scheme historically provided a facility for members to invest Additional Voluntary Contributions (AVCs) and some members have funds that provide benefits calculated on a defined contribution (DC) basis as a result of this. This facility is no longer accepting contributions and is subject to regular review.

In March 2025, the Trustees entered into a bulk annuity contract (the 'buy-in policy') with Just Group plc ("JUST") that is expected to meet members' DB benefits in full.

Regulatory requirements and considerations

Under the Pensions Act 1995 (the 'Act') and subsequent legislation, principally the Occupational Pension Schemes (Investment) Regulations 2005 (as amended) (the 'Investment Regulations'), the Trustees must secure that a written statement of the principles governing investment decisions is prepared and maintained for the Scheme.

This SIP also reflects the requirements and recommendations within The Pensions Regulator's general code of practice, in respect of the DB assets and any DC assets in the AVC arrangements.

The Trustees are responsible for all aspects of the operation of the Scheme including this SIP.

In agreeing their investment strategy, the Trustees have had regard to:

- The requirements of the Act concerning suitability and diversification of investments and the Trustees will consider those requirements on any review of this SIP or any change in the investment policy.
- The requirement of the Investment Regulations: in particular that the assets held to cover the Scheme's technical provisions must also be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

Responsibilities and appointments

Only persons or organisations with the necessary skills, information and resources are actively involved in taking investment decisions affecting the Scheme. The Trustees draw on the expertise of external persons and organisations including the investment consultant, investment managers and the Scheme Actuary. Full details are set out in this SIP.

Consultation

In accordance with the Act, the Trustees have obtained and considered written advice from Gallagher Benefit Services (the ‘investment consultant’) prior to the preparation (or revision) of this SIP and have consulted the Sponsor. However, it should be noted that neither the Trustees (nor any investment manager to whom they have delegated any discretion to make decisions about investments) shall require the consent of the Sponsor to exercise any investment power.

Review

The Trustees will review this SIP at least every three years and without delay after each significant change in investment policy, taking note of any changes in the Scheme’s liabilities. Once agreed, and after consultation with the Sponsor, a copy of this SIP will be given to the Scheme Actuary and will be made available to Scheme members on request. This SIP is also made publicly available free of charge on a website.

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Statement of Investment Principles

Investment governance structure

All investment decisions are taken by the Trustee Board as a whole. The Trustees believe that collective responsibility is the appropriate structure, given the size of the board, except for specific projects when an investment sub-committee may be set up. The Trustees will undertake training where appropriate to ensure they have the necessary expertise to take the decisions required and to evaluate critically the advice received.

All investment decisions relating to the Scheme are under the control of the Trustee Board without constraint by the Sponsor. The Trustees will consult with the Sponsor when changing this SIP.

All day-to-day investment decisions are delegated to properly qualified and authorised investment managers of pension scheme portfolios and the buy-in policy provider. Insurance contracts have been exchanged with the buy-in policy provider. Investment management agreements have been exchanged with the managers of the residual assets and are reviewed from time-to-time to ensure that the manner in which they make investments on behalf of the Trustees is suitable for the Scheme, and appropriately diversified.

The Trustees take proper written advice before investing in any manner.

Investment strategy and objectives

The Scheme's investment strategy has been agreed by the Trustees having taken advice from the investment consultant in relation to the suitability of investments and takes due account of the Scheme's liability profile.

The Trustees' primary objectives are:

- To provide appropriate security for all beneficiaries.
- To ensure that sufficient liquid assets are available to meet any top-up premium required by the buy-in policy provider.
- To ensure that sufficient liquid assets are available to pay benefit payments as they fall due.
- To achieve an appropriate balance between risk and return with regards to the cost of the Scheme and the security of the benefits.

The buy-in policy is expected to secure all pensioner and deferred member benefits.

In respect of the residual assets, the Trustees have translated their objectives into a suitable strategic asset allocation benchmark for the Scheme, details of which are included in the appendices of this SIP.

In accordance with the Financial Services & Markets Act 2000, the Trustees are responsible for setting the general investment policy, but the responsibility for all day-to-day investment management decisions has been delegated to the investment managers and the buy-in policy provider authorised under the Act.

The Trustees are responsible for reviewing the Scheme's investment strategy as part of each actuarial valuation in consultation with the Scheme's investment consultant. The Trustees may also reconsider the investment strategy outside the triennial valuation period where necessary.

The Trustees consider the Scheme's current strategic asset allocation to be consistent with the current financial position of the Scheme following the buy-in.

The Trustees' policy in relation to the kinds of investments to be held

The Trustees have full regard to their investment powers as set out in the Trust Deed and Rules.

The Scheme may invest in quoted and unquoted securities of UK and overseas markets including insurance policies, cash, and cash-equivalent investments. The Trustees have considered the attributes of the various asset classes (including derivative instruments).

The Trustees have invested the majority of their assets in the buy-in policy to insure all economic and longevity risk associated with the liabilities of all members is covered by the policy with an insurance company that is financially strong.

Some residual assets remain outside of the buy-in policy . In relation to these residual assets, the Trustees invest in pooled funds, other collective investment vehicles and cash. The Trustees have made the decision to invest the majority of residual assets in pooled funds because:

- The Scheme is not large enough to justify direct investment on a cost-effective basis.
- Pooled funds allow the Trustees to invest in a wider range of assets, which serves to reduce risk.

The Trustees' policy in relation to the balance between different kinds of investments

The size of the buy-in policy was determined by the price required to secure the liabilities. The residual assets are held with investment managers who will hold a diversified mix of investments in line with the agreed benchmark and any discretion the managers have been given to diverge from the benchmark. Within their portfolio, the managers will maintain a suitably diversified portfolio of securities.

The Trustees' policy in relation to the expected return on investments

The Trustees do not consider the expected return of the buy-in policy, instead holding this purely to meet the liabilities as they fall due. In effect, the Trustees' policy is to pass the risk of poor returns to the buy-in policy provider. For the remaining residual assets, the policy is to hold assets which are expected to give a satisfactory level of return, given the purpose for which these assets are being held. Return expectations are a secondary factor here.

The Trustees' policy in relation to the realisation of investments

The buy-in policy is an illiquid investment and cannot be surrendered, sold or "cashed-in" in the future. It is an asset that will be held in perpetuity until the last payment is made.

The Scheme's remaining investments are secure, of high quality and of sufficient liquidity.

The Trustees' policy in relation to financially material considerations

The Trustees expect the investment managers (including the buy-in policy provider), where appropriate, to have taken account of financially material considerations, including ESG factors as part of the investment analysis and decision-making process.

The Trustees will consider a manager's approach to these matters in deciding whether to retain or appoint the investment manager and will, from time to time, review managers' policies in respect of this topic, and the approach the managers take in practice.

The Trustees' policy in relation to the extent to which non-financial matters are taken into account

The financial interests of the members is the Trustees' first priority when choosing investments. The Trustees will take members' preferences into account if they consider it appropriate to do so.

Risk capacity and risk appetite

The Trustees are satisfied that the investments selected are consistent with their investment objectives, particularly in relation to diversification, risk, expected return and liquidity.

The Trustees' policy in relation to risks

The Trustees consider the main risk to be that of the assets being insufficient to meet the Scheme's liabilities as they fall due.

Although the buy-in policy removes much of this risk, the Trustees recognise some risks remain, namely the risk:

- Of the buy-in policy provider failing to provide the desired benefit payments.
- The potential for an additional premium to be paid to the buy-in policy provider in the event material changes are required to the data or benefits insured. The Trustees will review this and take appropriate action when necessary.
- Of a failure of the Sponsor to meet its obligations.

The Trustees assessed the likelihoods of these occurrences as part of selecting the buy-in policy to purchase and the provider to use.

Subject to their respective benchmarks and guidelines (shown in Appendix 1) the investment managers of the residual assets are given full discretion over the choice of investments and are expected to maintain diversified portfolios.

Each other investment management arrangement in which the Trustees invest has a stated performance objective against which investment performance will be measured. Within each asset class, the investment managers are expected to maintain a portfolio of securities (or funds), which ensures that the risk being accepted in each market is broadly diversified.

Stewardship in relation to the Scheme's assets

The Trustees have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. In general, trustees can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through each investment manager.

However, it is recognised that the scope for doing so is limited for the Scheme due to the use of the buy-in policy.

The Trustees have sought to appoint managers that have strong stewardship policies and processes and are supportive of their investment managers being signatories to the United Nations' Principles for Responsible Investment and the Financial Reporting Council's UK Stewardship Code 2020.

The Trustees' policy in relation to engagement and monitoring (including peer-to-peer engagement)

The Trustees considered the buy-in policy provider's policies in relation to engagement and monitoring as part of the selection process. The Trustees do not anticipate any further involvement with engagement (including peer-to-peer engagement) on this part of the portfolio and the comments below relate solely to the residual assets.

The Trustees' policy is to delegate responsibility for engaging and monitoring investee companies to each investment manager and the Trustees expect the investment managers to use their discretion to maximise financial returns for members and others over the long term.

The Trustees recognise that each investment manager's ability to influence the companies in which they invest will depend on the nature of the investment.

The Trustees acknowledge that the concept of stewardship may be less applicable to some of their assets, particularly for short-term money market instruments and insurance policies.

The Trustees have not set out their own stewardship priorities but follow that of the investment managers.

The Trustees will engage with an investment manager should they consider that manager's voting and engagement policy to be inadequate or if the voting and engagement undertaken is not aligned with the investment manager's own policies, or if the investment manager's policies diverge significantly from the views of the Trustees.

If the Trustees find any investment manager's policies or behaviour unacceptable, they may agree an alternative mandate with the manager or decide to review or replace the manager.

As all of the investments are held in pooled vehicles, the Trustees do not envisage being directly involved with peer-to-peer engagement in investee companies.

The Trustees' policy in relation to voting rights

The Trustees considered the insurer's policy towards exercising rights (including voting rights) as part of the buy-in selection process. However, the Trustees do not anticipate any further involvement with matters concerning voting rights in respect of the buy-in policy.

For the residual assets, the Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights. Each investment manager is expected to provide regular reports for the Trustees detailing their voting activity.

Investment management monitoring

The Trustees do not carry out any ongoing monitoring with respect to the buy-in policy provider.

In addition to the stewardship activities described above, the Trustees will assess the performance, processes and cost effectiveness of the investment managers by means of regular, but not less than annual, reviews of the results and other information, in consultation with the investment consultant.

All investment decisions, and the overall performance of the investment managers, are monitored by the Trustees with the assistance of the investment consultant.

The investment managers will provide the Trustees with quarterly statements of the assets held along with a quarterly performance report.

The investment managers will inform the Trustees of any changes in the internal performance objective and guidelines of any pooled funds used by the Scheme as and when they occur.

The Trustees will assess the quality of the performance and processes of the investment managers by means of a review at least once every three years in consultation with the investment consultant.

Appropriate written advice will be taken from the investment consultant before the review, appointment or removal of the investment managers.

The Trustees' policy in relation to their investment managers

In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustees is to select investment managers that meet the primary objectives of the Trustees. As part of the selection process and the ongoing review of the investment managers, the Trustees consider how well each investment manager meets the Trustees' policies and provides value for money over a suitable timeframe.

- **How the arrangement incentivises the investment manager to align its investment strategy and decisions with the Trustees' policies**

  The Scheme's residual assets are invested in pooled funds and the trustee bank account. The pooled funds have their own policies and objectives and charge a fee, agreed with the investment manager, for their services. Such fees incentivise the investment managers to adhere to their stated policies and objectives. There is no investment manager appointed to manage the assets held in the trustee bank account.

  The Trustees' policy in respect of the buy-in is to secure members benefits. The buy-in policy provider's investment strategy is naturally aligned with this due to regulatory and capital requirements.

- **How the arrangement incentivises the investment manager to engage and take into account financial and non-financial matters over the medium to long-term**

  The Trustees, in conjunction with their investment consultant and other advisers, appoint the investment managers and choose the specific pooled funds to use in order to meet specific Scheme policies. The Trustees expect that the investment managers make decisions based on assessments about the financial performance of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Scheme's performance) over an appropriate time horizon.

The Trustees have decided not to take non-financial matters into account when considering their policy objectives.

- **How the method (and time horizon) of the evaluation of the investment manager's performance and the remuneration for asset management services are in line with the trustees' investment policies**

  The buy-in policy provider's performance is measured in terms of its ongoing ability to meet its contractual obligations. There is no ongoing remuneration provided.

  For the residual assets, the Trustees expect the investment managers to invest the assets within the portfolio in a manner that is consistent with the guidelines and constraints set out in the appointment documentation. The Trustees review the investment managers periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.

  If the Trustees determine that an investment manager is no longer managing the assets in line with the Trustees policies, they will make their concerns known to the investment manager and may ultimately disinvest.

  The Trustees pay the investment managers a management fee which is a fixed percentage of assets under management. A performance related fee is also in place for one of the Scheme's residual holdings.

  Prior to agreeing a fee structure, the Trustees, in conjunction with the investment consultant, consider the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the investment manager.

- **How the trustees monitor portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range**

  For the buy-in policy, the Trustees do not monitor portfolio turnover costs or targeted turnover as these do not impact on the performance of the buy-in policy.

  For the residual assets, the Trustees expect turnover costs of the investment managers to be in line with their peers, taking into account the style adopted by the investment manager, the asset class invested in and prevailing market conditions.

  The Trustees do not explicitly monitor turnover, set target turnover or turnover ranges. The Trustees believe that the investment managers should follow their stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique and bespoke in nature and there is the potential for markets to change significantly over a short period of time.

- **The duration of arrangements with investment managers**

  The Trustees do not in general enter into fixed long-term agreements with their investment managers and instead retain the ability to change investment manager should the performance and processes of the investment manager deviate from the Trustees' policies. However, the Trustees expect the manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective.

Employer-related investments

The Trustees will not make direct investments in the Sponsor's own securities. The amount of the Sponsor's securities, owned by pooled investment vehicles invested in, are monitored. The Trustees have delegated the responsibility for the exercising of any voting rights attached to any Sponsor investment held to the investment managers.

As part of the buy-in process the Scheme entered into a loan with the Sponsor in respect of the value of the illiquid Partners Group Multi Asset Credit Fund V. This loan will be repaid by the proceeds as the fund is drawn down.

Additional voluntary contributions (AVCs)

The Scheme historically provided a facility for members to invest Additional Voluntary Contributions (AVCs). This facility is no longer accepting contributions and is subject to regular review.

Appointments and responsibilities

This section sets out the key appointments and responsibilities with respect to the investment aspects of the Scheme.

A full list of the Scheme's advisers is provided at the front of the Scheme's Annual Report and Financial Statements. However, at the time of writing this SIP:

- The investment consultant is Gallagher Benefit Services.
- The investment managers are detailed in the Appendices to this SIP. For pooled funds, custodial duties are undertaken by the relevant investment manager and, therefore, are not detailed in this SIP.
- The Scheme Actuary is Rachel Downs FIA of Gallagher Benefit Services.
- The buy-in policy provider is JUST.
- The provider of the AVC arrangements is Phoenix Life Limited.

Trustees

The Trustees' primary responsibilities include:

- The preparation of this SIP, reviewing its contents and modifying it if deemed appropriate, in consultation with the Sponsor and the investment consultant, at least every three years. The SIP will also be reviewed following a significant change to investment strategy and/or the investment managers.
- Appointing an investment consultant and investment managers as necessary for the good stewardship of the Scheme's assets.
- Setting objectives for the appointed investment consultant (and reviewing these at least every three years, and following any significant change to investment strategy), and reviewing the investment consultant's performance against these objectives at least annually.
- Reviewing the investment strategy as part of each triennial actuarial valuation, and/or significant changes to the Scheme's liabilities, taking advice from the investment consultant.
- Reviewing the stewardship / voting policies of the investment managers and undertaking the ongoing monitoring and engagement with their investment managers as appropriate.
- Assessing the processes and the performance of the investment managers by means of regular, but not less than annual, reviews of information obtained (including investment performance).
- Monitoring compliance of the investment arrangements with this SIP and with the relevant sections of the Act, the Investment Regulations and any regulatory guidance on a regular basis.
- Monitoring risk and the way in which the investment managers have cast votes on behalf of the Trustees in respect of the Scheme.

Investment consultant

The main responsibilities of the investment consultant include:

- Obtaining a copy of the Trustees' investment consultant objectives prior to undertaking work to ensure they understand the Trustees' requirements.
- Assisting the Trustees in the preparation and periodic review of this SIP in consultation with the Sponsor.
- Undertaking project work including the development and review of investment strategy, investment performance and manager structure as required by the Trustees.
- Advising the Trustees on the selection and review of the investment managers.
- Providing training or education on any investment related matter as and when the Trustees see fit.
- Monitoring and advising upon where contributions should be invested or disinvested on a periodic basis.

Investment managers

The investment managers' main responsibilities include:

- Investing the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation.
- Ensuring that the investment of the assets within their portfolio is compliant with prevailing legislation.
- Meetings with the Trustees as and when required.
- Informing the Trustees of any changes in the fee structure, internal performance objectives and guidelines of any pooled fund within their portfolio as and when they occur.
- Considering financially material risks affecting investments within their portfolio.
- Exercising voting rights on shareholdings within their portfolio in accordance with their general policy.

Buy-in policy provider

The main responsibilities of the buy-in policy provider include:

- Updating data and benefits as agreed with the Trustees under the terms of the policy.
- Providing monthly payments to the Trustees of specified benefits in respect of insured beneficiaries and dependants covered under the terms of the policy.

Scheme Actuary

The Scheme Actuary's main responsibilities in respect of investment policy include:

- Commenting on the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme.
- Performing the triennial (or more frequently as required) actuarial valuation and advising on the Scheme's funding level and therefore the appropriate level of contributions in order to aid the Trustees in balancing short-term and long-term investment objectives.

Compliance

The Scheme's SIP is available to members on request and is also made publicly available free of charge on a website.

A copy of the Scheme's current SIP is also supplied to the Sponsor, the Scheme's auditors and the Scheme Actuary.

This SIP, taken as a whole with the Appendices, supersedes all others and was approved by the Trustees.

Full name	**Keith Howe**
Signature	*Keith Howe*
Position	Chair of Trustees
For and on behalf of the Brother Staff Retirement Benefits Scheme	
Date	2 April 2025

Appendix 1 – Strategic benchmark and objectives

The majority of the Scheme's assets are held in a buy-in policy with JUST.

The remaining assets outside of the buy-in policy include a holding in the LGIM Sterling Liquidity Fund which will largely be used for the purpose of meeting Scheme's expenses and residual benefit outgo.

The Scheme also holds a residual investment in the Partners Group Multi-Asset Credit Fund V which is in the process of returning capital and interest. These proceeds are used to repay a loan from the Sponsor, which was used to purchase the buy-in policy.

Scheme's target asset allocation (residual assets)

The Scheme does not have a target split between its residual assets and the allocation will depend on factors such as the pace of drawdown from the Partners Group Multi-Asset Credit Fund V and the need to retain cash holdings.

Asset type	Investment style	Target allocation and control range (%)
Cash	Active	N/A
Private Debt	Active	N/A

Benchmark and performance objectives

Benchmark indices and relative performance objectives for each of the funds in which the Scheme's residual assets are invested are outlined below. The objective for Partners Group is net of fees.

Manager	Fund	Benchmark index	Objective % p.a.
LGIM	Sterling Liquidity Fund	SONIA	To perform in line with benchmark
Partners Group	Multi-Asset Credit Fund V	SONIA	SONIA + 4-6

The objective of the buy-in policy is to provide cashflows to meet all insured liabilities as they fall due.

Appendix 2 – Fees

Investment manager fees

Manager	Fund	Investment style	Management fee % p.a.
LGIM	Sterling Liquidity Fund	Active	0.125
Partners Group	Multi-Asset Credit Fund V	Active	0.90 plus performance fee

There are no ongoing management fees associated with the buy-in policy.

Investment consultancy fees

The investment consultant provides agreed services on a fixed fee basis, with additional projects provided on a time cost basis subject to agreement in advance.

The basis of remuneration is kept under review.