The Wildlife Trusts Pension Scheme

Statement of Investment Principles – November 2022

Introduction

The Trustee of The Wildlife Trusts Pension Scheme ('the Scheme') has drawn up this Statement of Investment Principles ('the Statement') to comply with the requirements of the Pensions Act 1995, the Pensions Act 2004, the Occupational Pension Schemes (Investment) Regulations 2005, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018 and 2019. The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments in relation to the DB liabilities of the Scheme. In preparing this Statement the Trustee has consulted The Royal Society of Wildlife Trusts ('the Employer') on the Trustee's investment principles.

Governance

The Trustee makes all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of investment managers. The process for making investment decisions is as follows:

- Identify appropriate investment objectives
- Agree the level of risk consistent with meeting the objectives
- Implement an investment strategy and investment manager structure in line with the level of risk and objectives agreed

When making such decisions, and when appropriate, the Trustee takes proper advice. The Trustee's investment consultants, Capita Pension Solutions Limited ("Capita"), are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience to provide such advice.

Investment Objectives

The Trustee is required to invest the Scheme's assets in the best interest of members, and its main objectives with regard to investment policy are:

- To achieve, over the long term, a return on the Scheme's assets which is sufficient (in conjunction with the Scheme's existing assets and contributions paid by both members and the Employer) to pay all members' benefits in full. In practice this means seeking to achieve full funding against a conservative "low dependency" measure of the Scheme's liabilities by the time the Scheme is "significantly mature" i.e. by the time that almost all members have retired. 'Low dependency' status would be when the Scheme is no longer heavily dependent on support of the Employer in order to pay benefits.
- To maintain a reasonable level of investment risk, which is supported by the Scheme's time horizon and Employer covenant (which is the Employer's legal obligation and financial ability to support the Scheme now and in the future);
- To ensure that sufficiently liquid assets are available to meet benefit payments as they fall due; and

- To consider the interests of the Employer in relation to the size and volatility of the Employer's contribution requirements.

The Trustee understands, following discussions with the Employer, that it is willing to accept a degree of volatility in the Employer's contribution requirements to aim to reduce the long-term cost of the Scheme's benefits to the Employer. The Trustee believes that the covenant of the Employer supports this approach.

Risk Management and Measurement

The Trustee is aware of, and pays close attention to, a range of risks inherent in investing the assets of the Scheme. The Trustee believes that the investment strategy provides for adequate diversification both within and across different asset classes. The Trustee further believes that the current investment strategy is appropriate given the Scheme's liability profile. The Trustee's policy on risk management is as follows:

- The primary investment risk faced by the Scheme arises as a result of a mismatch between the Scheme's assets and its liabilities. This is therefore the Trustee's principal focus in setting investment strategy, taking into account the nature and duration of the Scheme's liabilities.
- The Trustee recognises that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme's liabilities as well as producing more short-term volatility in the Scheme's funding position. The Trustee has taken advice on the matter and (in light of the objectives noted previously) considered the implications of adopting different levels of risk.
- The Trustee recognises the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustee aims to ensure the asset allocation strategy in place results in an adequately diversified portfolio. Due to the size of the Scheme's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles.
- The documents governing the managers' appointment include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme.
- The Trustee recognises that, where appropriate, the use of active management involves a risk that the assets do not achieve the expected return. However, they believe this risk is outweighed by the potential gains from successful active management, in particular in regions or asset classes where this potential is greater than others. Therefore, the Scheme's assets are managed through a mixture of active and passive management which may be adjusted from time to time.
- The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled vehicles.
- We have not taken account of climate-related risks separately from the other risks that exist.

Should there be a material change in the Scheme's circumstances, the Trustee will review whether the current risk profile remains appropriate.

Investment Strategy

Given its investment objectives, the Trustee have agreed to the asset allocation and exposures detailed below. The Trustee believes that the investment risk arising from the investment strategy is consistent with the overall level of risk being targeted.

Asset Class	Initial Capital Allocation as at Jan 2022 (%)
Growth Assets (investments that do not provide matching attributes and focus on returns, such as: equities, property and multi-asset credit funds)	45.0
'Matching' Assets (investments such as LDI, investment grade corporate bonds, gilts, index linked gilts, money market instruments and cash deposits and derivatives for risk management purposes)	55.0
Total:	**100.0**

The Trustee will monitor the Scheme's actual asset allocation at least quarterly, through the provision of regular investment reports, and will decide on a course of action. This may involve redirecting cash flows, a switch of assets, or taking no action.

The level of liability hedging is intended to be in the region of around 100% of funded low dependency liabilities.

Expected Return

The Trustee expects the return on assets to be consistent with the investment objectives and investment strategy outlined above.

The Trustee expects to generate a return, over the long term, of circa 1.8% per annum, net of expenses, above a portfolio of long-dated UK Government bonds - which are considered to change in value in a similar way to the Scheme's low dependency liability value. This return is a "best estimate" of future returns that has been arrived at given the Scheme's longer term asset allocation and in the light of advice from the investment consultant.

The Trustee recognises that over the short term performance may deviate significantly from this long term expectation. This "best estimate" will also generally be higher than the estimate used for the actuarial valuation of the Scheme's liabilities. For the purposes of the actuarial valuation of the liabilities, a more prudent estimate of returns will be used, as agreed by the Trustee on the basis of advice from the Scheme Actuary.

Investment Mandates

The Trustee has rolling contracts with its investment managers.

The Trustee monitors the performance of its investment managers on a quarterly basis. This monitoring is facilitated by reports provided by its Investment Platform Provider.

The Trustee has set performance objectives, including time periods, consistent with the investment strategy set out in this statement.

Investment Manager Remuneration

The Trustee monitors the remuneration, including incentives, that is paid to its investment managers and how it reward their key staff who manage client funds, along with how the pay and incentives motivate employees who manage client funds.

As part of the monitoring that the Trustee carries out on a regular basis, it checks that this remuneration policy is in line with its investment strategy. This work will be facilitated by the Trustee's Investment Consultant.

Investment Manager Philosophy and Engagement

The Trustee monitors the fund managers' assessment of the businesses invested in over the medium- to long-term and consider whether this is a holistic look at all relevant aspects of performance (i.e. does it look beyond purely accountancy measures). The Trustee considers if the fund managers are incentivised to make decisions on a short-term basis or on a medium- to long-term basis and whether this coincides with the business assessments. The Trustee is conscious of whether the fund managers are incentivised by the agreement to engage with the investee business and the extent to which any engagement focuses on improving medium to long-term performance. This work will be facilitated by the Trustee's Investment Consultant.

Investment Manager Portfolio Costs

The Trustee will monitor costs of buying, selling, lending and borrowing investments and it will look to monitor the costs breakdown annually, as long as the investment managers provide these costs using the Cost Transparency Initiative template. The Trustee will also ensure that, where appropriate, the investment managers monitor the frequency of transactions and portfolio turnover. If there are any targets then the Trustee will monitor compliance with these targets. This work will be facilitated by the Trustee's Investment Consultant.

Financially material considerations over the Scheme's time horizon

The Trustee believes that its main duty, reflected in the investment objectives, is to protect the financial interests of the Scheme's members. The Trustee believes that ESG considerations (including but not limited to climate change) and stewardship in the selection, retention and realisation of their investments is an integral part of this duty and can contribute to the generation of good investment returns. Legislation requires that the Trustee forms a view of the length of time that it considers is needed for the funding of future benefits by the investments of the Scheme. The Trustee believes that an appropriate time horizon for the Scheme could be over 10 years, which gives plenty of scope for ESG considerations to be financially material.

With this in mind, the Trustee has elected to invest most of its equity allocation in ESG-tilted equity funds.

Beyond this, the Trustee has elected to invest in pooled funds and cannot, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which it invests. However, the Trustee will consider these policies in all future selections and will seek to deepen its understanding of the existing managers' policies by reviewing these periodically. In cases where the Trustee is dissatisfied with a manager's approach it will take this into account when reviewing them. The Trustee is also keen that all the managers are signatories of the UN Principles of Responsible Investment, which is currently the case.

The Trustee believes that stewardship is important, through the exercising of rights (including voting rights) attaching to investments. The Trustee is keen that their managers can explain when, and by what practical methods, the managers monitor and engage with relevant persons about relevant matters in this area. The Trustee will monitor the voting being carried out by investment managers and custodians on its behalf. The Trustee will do this by receiving reports from the investment managers which should include details of any significant votes cast and proxy services that have been used.

The Trustee is also keen that its managers and its investment consultant are signatories of the UK Stewardship Code and checks this from time to time.

The Trustee is aware that ESG and stewardship considerations involve an ongoing process of education for themselves and engagement with their investment managers. To that end the Trustee dedicates time regularly to the discussion of this topic and intends to review and renew its approach periodically with the help of its investment consultants, where required. The Trustee will review the investment managers' ESG policies (including the application of voting rights), in order to help ensure that suitable policies are in place. This work will be facilitated by the Trustee's Investment Consultant.

Non-financial matters, including members' views are currently not taken into account.

Compliance with Myners' Principles

In October 2008 the Government published the results of its consultation on revisions to the Myners' principles in response to recommendations made by the National Association of Pension Funds (NAPF) in 2007. This takes the form of six higher-level principles, supported by best practice guidance and trustee tools that can be used to assess compliance.

The Trustee believes that it complies with the spirit of the Myners' Principles. There may be some instances of deviation from the published 'Best Practice Guidance' on the Principles where the Trustee believe this to be justified.

Employer-Related Investments

The Trustee's policy is not to hold any direct employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

Fee Structures

Investment managers are a management fee on the basis of assets under management. The investment consultant will be paid either on a fixed fee basis or time-cost basis - as agreed between the Trustee and Capita.

Review of this Statement

The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

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Trustee

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Date

For and on behalf of the Trustee of The Wildlife Trusts Pension Scheme

Appendix – Investment Mandates

Platform Provider

The Trustee has appointed Legal and General Investment Management Limited ('the Platform Provider') to manage all of the assets of the Scheme, except the Threadneedle property unit trust fund, which is held off platform. The Platform Provider is regulated under the Financial Services and Markets Act 2000. All decisions about the day-to-day management of the assets have been delegated to the Platform Provider via a written agreement, including the realisation of investments.

Investment Mandates

The Trustee has selected Pacific Investment Management Company ("PIMCO"), M&G Investment Management ('M&G'), Columbia Threadneedle Investments ("Columbia Threadneedle") and Legal & General Investment Management Limited ("LGIM"), as the appointed Investment Managers ("the Investment Managers") to manage the assets of the Scheme via a single policy with the Platform Provider. The Investment Managers are themselves regulated under the Financial Services and Markets Act 2000.

The Investment Managers' mandates are set out in the table overleaf:

Asset Class	**Investment Manager**	**Fund Name**	**Active / Passive Management**	**Initial Capital Allocation %** (as at Jan 2022)
Return-seeking Asset Types				**45.0**
Global Equities	LGIM	Future World Global Equity Index Fund	Passive	15.0
	LGIM	Future World Global Equity Index Fund GBP Hedged	Passive	5.0
Property	Threadneedle	Property Fund	Active	2.0
Multi Asset Credit (“MAC”)	M&G	Total Return Credit Investment Fund	Active	11.5
Multi Asset Credit (“MAC”)	PIMCO	GIS Income Fund	Active	11.5
Matching Asset Types				**55.0**
Corporate Bonds	LGIM	Active Corporate Bond - Over 10-year Fund	Active	10.0
Liability Driven Investment	LGIM	Leveraged Matching Core LDI funds, and unleveraged Gilt and Index-Linked Gilt funds	Passive (Mechanistic)	45.0
Total				**100.0**