Sleepeezee Retirement Benefits Plan 1975

Statement of Investment Principles

Barnett Waddingham LLP

February 2023

BARNETT WADDINGHAM
beyond the expected

1. Introduction

1.1. This is the Statement of Investment Principles for the Sleepeezee Retirement Benefit Plan ("the Plan"), as prepared by the Trustee of the Plan ("the Trustee"). This statement sets down the principles which govern the decisions about investments that enable the Plan 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 and Disclosure) (Amendment) Regulations 2010 and the Occupational Pension Schemes (Investment) (Amendment) Regulations 2018; and,
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2. In preparing this statement the Trustee has consulted Sleepeezee Holdings Limited (the "Employer"), and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultants. Barnett Waddingham LLP is authorised and regulated by the Financial Conduct Authority.

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 Trustee will review this statement at least every three years or if there is a significant change in policy for any of the areas covered by the statement.

1.5. The investment powers of the Trustee are set out in Schedule C, Clause 3 of the Definitive Trust Deed & Rules, dated 25 November 1993. This statement is consistent with those powers.

2. Choosing investments

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

2.2. The day-to-day management of the Plan's assets is delegated to one or more investment managers. The Plan's investment managers are detailed in the Appendix to this Statement. 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 Trustee reviews the appropriateness of the Plan'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 Trustee will also consult the Employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustee has discussed key investment objectives in light of an analysis of the Plan's liability profile as well as the constraints the Trustee faces in achieving these objectives. As a result, the Trustee's main investment objectives are:

- to ensure that the Plan 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 Plan's required contribution levels;
- to invest in assets of appropriate liquidity which will generate income and capital growth to meet, together with contributions from the Employer, the cost of the benefits which the Plan provides;
- to reduce the risk of the assets failing to meet the liabilities over the long term; and,
- to minimise the long-term costs of the Plan by maximising the return on the assets whilst having regard to the above objectives.

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

4. Kinds of investments to be held

4.1. The Plan is permitted to invest in a wide range of assets including: equities, bonds, cash, property, alternatives (e.g. private equity, commodities, hedge funds, infrastructure, currency, high yield debt, and derivatives), and annuity policies.

4.2. The Plan has chosen to invest the majority of its assets in a bulk annuity contract with an insurer to match the Plan's liabilities.

4.3. Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risk in the portfolio or for the purposes of efficient portfolio management.

4.4. The Trustee does not make employer-related investments.

5. The balance between different kinds of investments

5.1. The Plan invests in assets that are expected to achieve the Plan's objectives. The allocation between different asset classes is contained within the Appendix to this Statement.

5.2. The Trustee considers the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendix to this Statement.

5.3. From time to time the Plan 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 Trustee is aware that the appropriate balance between different kinds of investments will vary over time and therefore the Plan's asset allocation will be expected to change as the Plan's liability profile matures.

6. Risks

6.1. Given the nature of the insurance contract (which exactly matches the Plan's liabilities) the main remaining risk for the majority of the investments is the solvency of the insurer. The Trustee assessed this prior to investing in the contract. The ongoing solvency and prudent management of the insurer is monitored within the regulatory regime for the UK insurance companies.

6.2. The Trustee has considered the following risks for the Plan with regard to its investment policy and the Plan's liabilities, and considered ways of managing/monitoring these risks:

Risk versus the liabilities	The Trustee will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. The investment strategy will be set with consideration to the appropriate level of risk required for the funding strategy as set out in the Plan's Statement of Funding Principles.
Covenant risk	The creditworthiness of the Employer and the size of the pension liability relative to the Employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the Employer covenant.
Solvency and mismatching	This risk is addressed through the asset allocation strategy and ongoing triennial actuarial valuations. The Trustee is aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Plan's funding basis.
Asset allocation risk	The asset allocation is detailed in the Appendix to this Statement and is monitored on a regular basis by the Trustee.
Investment manager risk	The Trustee monitors the performance of each of the Plan's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary, usually on an annual basis. The Trustee has a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Governance risk	Each asset manager is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustee monitors these and will report on the managers' practices in their annual Implementation Statement.
ESG/Climate risk	The Trustee's investment objectives are those set out in Section 3 above. The Trustee generally invests in pooled funds and does not itself specifically consider ESG or climate risk factors. Insofar as these are financially material the Trustee expects its fund managers to consider these in the course of their decision making regarding selection of assets/investments. The Trustee looks to its investment consultants to review the fund managers' (or prospective fund managers') records on ESG/Climate Change matters as a part of their overall assessment of fund manager performance.
Liquidity risk	The Plan invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Plan's cashflow requirements. The Plan's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
Currency risk	The Plan's liabilities are denominated in sterling. The Plan may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging may be employed to manage the impact of exchange rate fluctuations.
Loss of investment	The risk of loss of investment by each investment manager and custodian is assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud). Each manager monitors counterparty credit risk and evaluates counterparty credit quality on a continuous basis.

7. Expected return on investments

7.1. The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.

7.2. The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

7.3. In considering the expected return from investments, the Trustee recognises that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.

7.4. Having established the investment strategy, the Trustee monitors the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Plan's funding position. The Trustee meets the Plan's investment managers as frequently as is appropriate, normally on an annual basis, in order to review performance.

8. Realisation of investments

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

8.2. Ultimately, the investments will all have to be sold when the Plan's life comes to an end. In this situation, the Trustee is 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 Plan accounts.

9. Financially material considerations, non-financial matters, the exercise of voting rights, and engagement activities

Financially material considerations

9.1. The Trustee received training from its investment advisor on Environmental, Social and Governance (ESG) factors. The Trustee considered the research findings presented at this training to form their views on the financial materiality of ESG factors as they apply to the Plan's current investments.

9.2. The Trustee understands that ESG factors, including Climate Change and legislative responses to this, may be financially material– that is, they have the potential to impact the value of the Plan's investments from time-to-time. The Trustee considers the long-term financial interests of the Plan and its members to be paramount, and, where appropriate and practical:

- expects investment managers to consider financially material ESG issues in investment decision making; and,
- expects investment managers to practice good stewardship, which includes engaging with issuers of debt or equity on financially material issues including ESG when relevant.

9.3. The scope for ESG factors to be financially material depends on the Plan's investment horizon, with greater scope over a longer horizon. The Plan's investment horizon will in turn be subject to the Trustee's prevailing objectives. For example, in the context of the Trustee's ultimate objective to buy-out (or otherwise secure) members' benefits, the Plan's investment horizon may be shorter than a typical pension scheme, reducing the scope for ESG factors to be financially material to risk-adjusted returns.

9.4. The Trustee appreciates that the method of incorporating ESG in the investment strategy and process will differ between asset classes. The Trustee will consider their views on individual asset classes in further detail should there be a material change to expectations regarding the Plan Transfer.

9.5. The Trustee is comfortable that the funds currently invested in by the Plan are managed in accordance with their views on financially material factors, as set out above. This position is monitored periodically, at least annually. In the future, the views set out below will be taken into account when appointing and reviewing managers.

9.6. In terms of the bulk annuity contract, there is limited scope for the consideration of ESG issues over any period from a financial materiality perspective given the investment is illiquid and its objective is to exactly match member experience. Given the contract is fully illiquid and covers the Plan's full liabilities, there is not any selection, or realisation of invested assets, and therefore there are no financially material considerations that are taken into account in relation to this, or indeed in relation to the retention of the contract. There are no voting rights attached to the bulk annuity contract and the Trustee does not carry out engagement activities with the insurer given these are not expected to have a material impact on the investment. This includes issues such as capital structure, management of actual or potential conflicts of interest. The Trustee would, however, expect the insurer to have (and follow) a conflict management policy given their regulated status.

Non-financially material considerations

9.7. Non-financial matters including ethical views of beneficiaries and members are not taken into account in the selection, retention and realisation of investments and the Trustee does not therefore consult with beneficiaries or members on such issues.

The exercise of voting rights and engagement activities

9.8. The Trustee believes that good stewardship and positive engagement can lead to improved governance and better risk-adjusted investor returns. The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the relevant fund managers. The Trustee also expects managers to engage with companies in relation to ESG matters when they consider it appropriate to do so.

9.9. The Trustee understands from its investment consultants that they are satisfied with and keep under review the fund managers' strategies and processes for exercising rights and conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor.

9.10. The Trustee is of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings, though to varying degrees. The Trustee also recognises that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

9.11. The Trustee considers it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Plan or as part of the pooled fund in which the Plan holds units.

9.12. The Trustee also considers it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, including risks related to actual or perceived climate change and legislative responses to this, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Plan.

9.13. Should an investment manager be failing in these respects, this should be captured in the Trustee's investment consultants' regular performance monitoring.

9.14. Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustee has made the Principal Employer aware of its policy on ESG risks, including climate change and how it intends to manage them.

9.15. The Plan's investment consultants are independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.

9.16. The Trustee expects its investment consultants to check that all investment managers have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustee believes they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee/investment manager and the investee companies.

9.17. In selecting and reviewing their investment managers, where appropriate, the Trustee will consider inter alia investment managers' policies on engagement and how these policies have been implemented. Nonetheless the Trustee's primary concern will be the ability of any investment manager to deliver appropriate financial performance.

10. Policy on arrangements with asset managers

Incentivising alignment with the Trustee's investment polices

10.1. Prior to appointing an investment manager, the Trustee discusses the investment manager's approach to the management of ESG risks including climate change with the Plan's investment consultant, and how the manager's policies are aligned with the Trustee's own investment beliefs.

10.2. When appointing an investment manager, as part of the process of considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustee also expects its investment consultants to consider how ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, to an extent that is financially material, it will consider using another manager for the mandate.

10.3. The Trustee carries out a strategy review at least every three years where it assesses the continuing relevance of the strategy in the context of the Plan's membership and their aims, beliefs and constraints.

10.4. In the event that an investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment may be terminated. The investment consultants are expected to ensure managers understand this.

10.5. Investment manager ESG policies are reviewed by the Trustee's investment consultants in the context of best industry practice and feedback is expected to be provided to the investment manager when relevant.

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

10.6. The Trustee is mindful that the impact of ESG and climate change has a long-term nature. However, the Trustee recognises 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 Trustee acknowledges this in their investment management arrangements.

10.7. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustee assesses these over a rolling timeframe. The Trustee believes 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 Trustee expects this longer term performance target to be sufficient to ensure an appropriate alignment of interests.

10.8. The Trustee expects investment managers to be voting and engaging on behalf of the Plan's holdings. The Trustee's investment consultants monitor this and will provide such information as is required by statute for inclusion in the Implementation Statement in the Plan's Annual Report and Accounts. The Trustee does not expect ESG considerations including climate change to be disregarded by the investment managers in any effort to achieve any short term or long term targets, but accepts that after due consideration other factors may be considered by investment managers to be more significant.

Method and time horizon for assessing performance and remuneration for asset management services

10.9. The Trustee monitors the performance of their investment managers over periods that are consistent with the Trustee's investment aims, beliefs and constraints.

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

10.11. The Trustee believes that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

10.12. The Trustee asks the Plan's investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered regularly as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

10.13. The Trustee acknowledges that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the quarterly investment monitoring process.

10.14. During the investment manager appointment process, the Trustee's investment consultant will consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices. The Trustee acknowledges that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

Duration of arrangement with asset manager

10.15. For the open-ended pooled funds in which the Plan invests, the duration of the Plan's arrangements are not predetermined under the terms of agreement with the investment managers.

10.16. The suitability of the Plan's asset allocation and its ongoing alignment with the Trustee's investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

10.17. In regards to the bulk annuity contract, the Plan has limited scope to assess the actions of the insurer and make any changes to the policy as part of the agreement.

11. Agreement

11.1. This statement was agreed by the Trustee, 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 Plan auditor upon request.

Signed: RICHARD BURNS **Date:** 16/02/2023.

On behalf of the Sleepeezee Retirement Benefits Plan 1975

Appendix 1 Note on investment policy of the Plan as at February 2023 in relation to the current Statement of Investment Principles

1. Choosing investments

The Trustee has secured an insurance contract in respect of the Plan's liabilities with Legal and General Assurance Society ("LGAS"). The insurer is supervised by the Prudential Regulatory Authority ("PRA") in co-ordination with the Financial Conduct Authority ("FCA") within the current regulatory context.

The Trustee has appointed Legal and General Investment Management ("LGIM") to carry out the day-to-day investment of the other assets held by the Plan.

The fund manager is authorised and regulated by the Financial Conduct Authority.

The Trustee has appointed Barnett Waddingham LLP to advise on investment matters.

The annual management fee arrangements with the fund managers are summarised below:

Fund manger	Fund	Fees
LGAS	Annuity policy	There are no ongoing fees in respect of the LGAS annuity policies
LGIM	Single stock gilt funds	0.1% p.a.

LGIM levy a flat charge of £1,000 per annum in addition to ad-valorem charges detailed above. Additional administration, custody and other fees are also payable in respect of each of the pooled funds above.

Barnett Waddingham is typically remunerated on a time-cost basis but from time to time the Trustee may agree fixed fees for project work.

The Trustee has an AVC contract with Prudential for the receipt of members' Additional Voluntary Contributions. The arrangement is reviewed from time to time.

2. Kind of investments to be held

- Fixed Interest Gilts
- Index Linked Gilts
- Annuity policies
- Cash

3. The balance between different kind of investment and rebalancing

The asset allocation has been agreed after considering the Plan's liability profile, funding position, expected return of the various asset classes and the need for diversification, and the likelihood of buy-out or otherwise securing members' benefits.

The investment benchmarks and objectives for each fund manager are given below:

Fund	Benchmark	Objective
Legal and General Assurance Society bulk annuity policy	None	To pay benefits to members as they fall due.
LGIM single stock gilt funds	The relevant gilt for each respective fund	To track the benchmark performance.

4. Realisation of investments

The annuity policies have been structured to provide sufficient income to meet benefit payments as they fall due. Therefore, the Trustee does not foresee any need to surrender (i.e. realise) the value of its annuity policy. However, in such an event, the Trustee will take appropriate advice before making any decisions.

The gilt funds are not expected to be required to meet ongoing benefit payments. It is anticipated that the gilt funds will be realised in due course to fund an additional top-up premium to Legal & General Assurance Society to augment the bulk annuity policy following a review of member data.

The Trustee expects any fees and other expenses to be met using bank reserves and, where relevant, contributions by the Employer.