Ryder Pension Fund
Statement of Investment Principles

Investment Objective

The Trustee aims to invest the assets of the Fund prudently with the intention that the benefits promised to members are provided. In setting investment strategy, the Trustee first considered the lowest risk asset allocation that it could adopt in relation to the Fund's liabilities. The asset allocation strategy selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Fund's liabilities.

STRATEGY

Asset allocation

The asset allocation strategy chosen to meet the Investment Objective above is set out in the table below:

Type	Target Allocation	Control Range
Matching Portfolio	90%	85%-95%
Diversifying Alternatives Portfolio	10%	5%-15%

The asset allocation strategy was determined with regard to the actuarial characteristics of the Fund, in particular the strength of the funding position and the liability profile.

When choosing the Fund's asset allocation strategy the Trustee considered written advice from its investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

In addition, the Trustee also consulted with the sponsoring employer and Ryder Systems Inc when setting this strategy.

Rebalancing

The Trustee will review the Fund's actual asset allocation ("Actual Allocation") compared against the Target Allocation at each of the following Review Dates:

- each quarter-end (on a calendar year basis i.e. 31 March, 30 June, 30 September, 31 December)
- when there is a significant ad-hoc cash investment / disinvestment (above £1m) into / from the Fund.

This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustees also comply with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

Where, as at a Review Date, the Actual Allocation has varied from the Target Allocation but remains within the Control Range, the Trustee will consider whether any rebalancing is appropriate taking into consideration the estimated requirement for the payment of pension obligations for the next three months. Where the Trustee decides that rebalancing is appropriate, the Trustee shall also determine the time-frame over which that rebalancing should be implemented.

Where, as at a Review Date, the Actual Allocation has varied beyond the Control Range, the Trustee will rebalance the Asset Allocation to within the Control Range within 75 Business Days of the Review Date. This requirement to rebalance shall not apply if either:

- it is impossible for any reason beyond the Trustee's control for rebalancing to be implemented; or
- the Trustee agrees with the Ryder Systems Inc. that rebalancing is not appropriate in the circumstances.

Business Days for these purposes means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general business in London.

For the avoidance of doubt, the Trustee shall not be under an obligation to review the Actual Allocation against the Target Allocation at any date other than one of the above Review Dates.

RISK

The Trustee maintains a 'Statement of Funding Principles' which specifies that the funding objective is to have sufficient assets so as to make provision for 100% of the Fund's liabilities as determined by an actuarial calculation.

The Trustee recognises that the key risk to the Fund is that it has insufficient assets to make provisions for its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause deterioration in the Fund's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustee and its advisers considered this mismatching risk when setting the investment strategy and has specifically structured the Fund's assets so as to minimise this risk as far as is practical.
- The risk of a shortfall of liquid assets relative to the Fund's immediate liabilities ("cash flow risk"). The Trustee will manage the Fund's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund manager to achieve the rate of investment return assumed by the Trustee ("manager risk"). This risk is considered by the Trustee and its advisers both upon the initial appointment of the fund manager and on an ongoing basis thereafter.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustee and its advisers considered this risk when setting the Fund's investment strategy and has also mandated to each of the fund managers employed that a suitably diversified portfolio of assets should be maintained at all times.
- The possibility of failure of the Fund's sponsoring employer ("covenant risk"). The Trustee considered this risk, taking account of the S75 guarantee and the provision of Credit Support that has been provided by Ryder Systems Inc and the corresponding risk of failure of that entity, when setting the investment strategy. The Trustee has also consulted with the sponsoring employer and Ryder Systems Inc as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service

providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

Having set an investment objective which relates directly to the Fund's liabilities and implemented it using a fund manager, the Trustee's policy is to monitor these risks quarterly, where possible. The Trustee receives quarterly reports showing:

- Asset performance versus the Fund benchmark.
- Performance of individual funds versus their respective benchmarks.
- Any significant issues with the fund manager that may impact their ability to meet the performance targets set by the Trustee.

IMPLEMENTATION

Aon has been selected as investment adviser to the Trustee. They operate under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions itself and to monitor those to whom it delegates. Aon is paid a fixed fee on a monthly basis for an agreed range of services needed on a regular basis. Any additional services falling outside those agreed will be charged for separately. This structure has been chosen to ensure that cost-effective, independent advice is received.

The Fund's assets are managed by a number of managers and may include delegated mandates. Details of the appointed managers and their mandates are contained in Schedules 1 and 2.

The Trustee has delegated all day-to-day decisions about the investments that fall within the mandate, including the realisation of investments, to the fund manager through a written contract. When choosing investments, the Trustee and the fund manager (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4).

RESPONSIBLE INVESTMENT

In setting the Fund's investment strategy, the Trustee' primary concern is to act in the best financial interests of the Fund and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. These include:

- The risk that environmental, social and governance factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from their investment adviser when setting the Fund's asset allocation, when selecting managers and when monitoring their performance.

Stewardship – Voting and Engagement

The Trustee recognises the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Fund invests, as this ultimately creates long-term financial value for the Fund and its beneficiaries.

As part of their delegated responsibilities, the Trustee expects the Fund's investment managers to**:**

- where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and
- exercise the voting rights in relation to the Fund's assets.

The Trustee reviews the suitability of the Fund's appointed asset managers and takes advice from the investment consultant with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustee has set out in the policy, the Trustee may undertake to engage with the manager and seek a more sustainable position but may look to replace the manager.

The Trustee reviews the stewardship activities of the asset managers on an annual basis, covering both engagement and voting actions. Where the Trustee identifies significant concerns relating to performance, strategy, risks, social and environmental impact, corporate governance, the capital structure or management of conflicts of interest, of a fund manager or other stakeholder; they will consider the methods by which it would monitor and engage with such a fund manager or other stakeholders.

Members' Views and Non-Financial Factors

In setting and implementing the Fund's investment strategy the Trustee does not explicitly take into account the views of Fund members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"[1]).

Arrangements with fund managers

The Trustee recognises that arrangements with fund managers are important to ensure that interests are aligned. The Trustee seeks to ensure that the fund managers are incentivised to operate in a manner that generates the best long-term results for the Fund and its beneficiaries.

The Trustees take advice from the investment adviser who regularly monitors the Fund's investments to consider the extent to which the investment strategy and decisions of the fund managers are aligned with the Trustees' policies, including those on non-financial matters. This includes monitoring the extent to which fund managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee receives at least quarterly reports and verbal updates from the investment adviser on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee places focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Fund objectives and assesses the fund managers over the long-term.

The Trustee shares the policies, as set out in this SIP, with the Fund's asset managers, and request that the asset managers review and confirm whether their approach is in alignment with the policies.

[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

The Trustee also reviews stewardship information on the monitoring and engagement activities carried out by their fund managers, which supports the Trustee in determining the extent to which the Fund's engagement policy has been followed throughout the year.

Before appointment of a new fund manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees' policies.

The Trustee believes that having appropriate governing documentation, setting clear expectations to the fund managers by other means (where necessary), and regular monitoring of fund managers' performance and investment strategy, is in most cases sufficient to incentivise the fund managers to make decisions that align with the policies of the Trustee and are based on assessments of medium- and long-term financial and non-financial performance.

Where fund managers are considered to make decisions that are not in line with the policies of the Trustee, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager but could ultimately replace the manager where this is deemed necessary.

There is typically no set duration for arrangements with fund managers, although the continued appointment all for fund managers will be reviewed at least every three years. For any closed ended vehicles, the duration may be defined by the nature of the underlying investments.

Monitoring of costs

The Trustee is aware of the importance of monitoring the fund managers' total costs and the impact these costs can have on the overall value of the Fund's assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by the fund managers that can increase the overall cost incurred by the investments.

The Trustee intends to collect regular cost transparency reports covering all of its investments and ask that the fund managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand exactly what they are paying the investment managers. The Trustee works with its investment adviser and fund managers to understand these costs in more detail where required.

Evaluation of performance and remuneration: The Trustee assesses the performance of the fund managers on a quarterly basis and the remuneration of the fund managers on an annual basis via collecting cost data in line with the CTI templates.

Portfolio turnover costs: The Trustee is aware of the portfolio turnover costs (portfolio turnover costs are defined as the costs incurred as a result of the buying, selling, lending or borrowing of investments) associated with the underlying investments through the information provided by the fund managers.

The Trustee accepts that transaction costs will be incurred to facilitate investment returns and that the level of these costs varies across asset classes and by manager investment style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and manager's style and historic trends. Where the monitoring identifies a lack of consistency the mandate will be reviewed. The Trustee is supported in cost transparency monitoring activity by its investment adviser.

GOVERNANCE

The Trustee is responsible for the investment of the Fund's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision making structure:

Trustee
- Set structures and processes for carrying out its role.
- Select and monitor planned asset allocation strategy.
- Monitor actual returns versus the Fund's benchmark.
- Select and review direct investments (see below).

Investment Adviser
- Advise on all aspects of the investment of the Fund's assets, including implementation.
- Advise on this statement.
- Provide required training.

Fund Manager
- Operate within the terms of this statement and their written contracts.
- Select individual investments with regard to their suitability and diversification.
- Comment, where applicable, on the suitability of the indices in their benchmarks.

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager under a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as **direct investments.**

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. These include vehicles available for members' AVCs. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager.

The written advice will consider the issues set out in the Occupational Pension Schemes (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund manager) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

The Trustee's investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustee expects the fund manager to manage the assets delegated to them under the terms of their contract and to give effect to the principles in this statement so far as is reasonably practicable.

The fund manager is remunerated on an ad valorem basis. This structure has been chosen to align the fund managers' interests with those of the Fund.

In addition, the fund manager pays commissions to third parties on many trades they undertake in the management of the assets and also incur other ad hoc costs. The Trustee receives statements from the fund manager setting out these costs and reviews them regularly with advice from its investment adviser. This is to ensure that the costs incurred are commensurate with the goods and services received.

The Trustee will review this SIP at least every three years and immediately following any significant change in investment policy or circumstances of the Fund. The Trustee will take investment advice and consult with the Sponsoring Employer and Ryder Systems Inc over any changes to the SIP.

SCHEDULES

Schedule 1

Matching Portfolio

The Matching Portfolio is managed by BlackRock. The Fund holds fixed interest gilt and index-linked based investments, and may also hold cash type assets. The Fund aims to match the Fund's liability benchmark, which is a proxy for the full liabilities of the Fund.

BlackRock has discretion to manage allocations to maintain agreed target hedge ratios relative to the proxy liability cashflow benchmark.

Schedule 2

Diversifying alternative assets

The Trustee appoints additional managers in order to provide diversification from the assets managed by BlackRock.

The Trustee has chosen to invest in the Aon Investments Limited Active Global Fixed Income Fund.

This is a fund solution that is diversified across investment strategies and fund managers and aims to outperform (net of fees) SONIA by 2% per annum over a market cycle. Allocates to areas of bond markets that offer good medium-term value given the current market environment. Invests across the entire fixed income universe and uses a range of manager styles, including more alpha-driven strategies (e.g. absolute return bond managers) which can take long and short positions. Takes a highly active approach, rotating around different asset classes and manager styles to add value. Invests solely in external managers buy rated by Aon's Investment Manager Research team.

Fund	**Benchmark Index**	**Target**
AIL Active Global Fixed Income Strategy	Sonia	Benchmark + 2.0% p.a.