The Howden Group Pension Plan
Statement of Investment Principles by the Trustees

1. *BACKGROUND*

This Statement sets down the principles governing decisions about investments for the Howden Group Pension Plan ("the Plan") to meet the requirements of the Pensions Act 1995, as amended by the Pensions Act 2004 and subsequent Regulations.

Before preparing it the Trustees have consulted Charter Central Services Limited and obtained and considered the written professional advice of Mercer. The Trustees will review this statement after any changes in investment policy.

The Trustees' investment responsibilities are governed by the Plan's Trust Deed: a copy of this document is available on request.

2. *INVESTMENT POLICY*

The Trustees' primary aim is to make sure that they meet their obligations to the beneficiaries of the Plan.

The Trustees consider that their broad objective is to invest the Plan's assets in such a manner that members' entitlements can be paid when they fall due. As a key step to achieving this, the Trustees, following consultation with the employer, have entered into an irrevocable bulk annuity contract with Legal & General Assurance Society Limited ("LGAS"). LGAS is authorised by the Bank of England Prudential Regulation Authority to write contracts of long term life insurance of this nature in the UK.

The Trustees' key short term objective is to ensure an efficient progression towards an insurer buy-out of the Plan's known liabilities, with the aim of achieving an appropriate discharge of liability in respect of known obligations in accordance with the Plan's governing documentation and relevant legislation.

In due course, in order to complete buy-out, the known members' benefits will be secured by means of individual annuity policies issued by LGAS directly to the members, in accordance with the terms of the bulk annuity policy. The Plan will then be wound up. The aim is to complete the Plan's buy-out and wind-up as soon as practicable and this is expected to be achieved in 2021.

The Trustees appointed LGAS as the Plan's bulk annuity provider having obtained and considered written advice from their investment advisor, Mercer, and their legal advisor, Brodies LLP, who the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

The Plan's principal asset is the bulk annuity policy with LGAS. As a result, all of the Plan's assets are represented by this policy, with the exception of the remaining assets held in Legal & General Investment Management's Sterling Liquidity Fund (c£3.2 million as at 28 August 2020) and residual cash held in the Trustees' bank account.

The balance of assets invested in the Sterling Liquidity Fund, together with the residual cash in the bank account, is held in order to help the Trustees meet imminent cash outgo in connection with ongoing expenses arising that are to be met from the Plan.

Future benefits payable from the Plan, from May 2019 onwards, are funded by the bulk annuity policy prior to buy-out.

Additional Voluntary Contributions (AVCs)

Members' additional voluntary contributions are invested with four insurance companies, namely Equitable Life (now with Utmost), Prudential, MGM Assurance (now Scottish Friendly) and Legal & General.

With the assistance of the Plan's consultants, these arrangements are reviewed from time to time to ensure that the investment performance achieved is acceptable and the investment profile of the funds remain consistent with the objectives of the Plan and needs of the members.

3. *THE TRUSTEES' POLICY WITH REGARD TO RISK*

There are various risks to which any pension scheme is exposed. The Trustees consider the following areas of risk to be relevant to their situation in relation to the Plan's investments:

i. Failure of the annuity provider. Before entering into the bulk annuity contract, the Trustees obtained and carefully considered professional advice regarding the suitability of LGAS as an annuity provider. In addition, the Trustees are aware that regulatory oversight and, ultimately, the Financial Services Compensation Scheme, provide a degree of statutory protection to policyholders of long term insurance contracts such as the bulk annuity policy, in the event that an insurer gets into financial difficulty or becomes insolvent.

ii. Lack of diversification. The Trustees recognise that the decision to invest in a bulk annuity contract with a single provider, whilst reducing operational risks and complexity, represents a concentration of investment risk. However, after careful scrutiny of the provider prior to transaction, the Trustees are satisfied that the degree of risk taken is acceptable.

iii. Illiquidity. The Trustees do not expect to be able to obtain cash from the annuity contract other than in respect of benefits insured by LGAS. Prior to purchasing the policy, the Trustees satisfied themselves that all known benefits would be insured in full. Under the terms of the policy, a post transaction period of data cleansing is being undertaken between the Plan administrator and LGAS. The Trustees also hold a balance of assets with LGIM in their Sterling Liquidity Fund and a cash balance in a bank account to meet residual cash flow requirements.

4. *ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE*

The Trustees believe that good stewardship, environmental, social and corporate governance ("ESG") issues, including climate change risk, may have an impact on investment returns, however since the Plan is invested through the purchase of the bulk annuity policy with LGAS and the balance of assets are invested in LGIM's Sterling Liquidity Fund, the Trustees accept that it is not possible to have a policy on ESG issues.

As the Plan assets have no voting rights attached, Corporate Governance voting issues are not relevant to the Plan.

The Trustees do not explicitly consult members when making investment decisions but update members, at least annually, via newsletters on any changes to the Plan's investment arrangements and also makes available on request a copy of the Statement of Investment Principles.

5. *ENGAGEMENT WITH INVESTMENT MANAGER*

In relation to the bulk annuity with LGAS, the Trustees are unable to incentivise, remunerate or monitor portfolio turnover costs, as these are not applicable to the bulk annuity.

The policy in relation to the Trustees' arrangements with LGIM (the Plan assets held in the Sterling Liquidity Fund) is set out below.

(i) Incentivising the investment manager to align their investment strategy and decisions with the Trustees' policies:

The investment manager is appointed based on their capabilities and, therefore, their perceived likelihood of achieving the return objective and risk characteristics required for the asset class being selected for.

The Plan's assets are managed in a pooled fund and the Trustees look to their investment consultant for their forward-looking assessment of the manager's ability to closely track the fund's benchmark. This view is based on the consultant's assessment of the manager's portfolio construction, implementation, risk management and business management, in relation to the particular investment fund that the Plan invests in. The consultant's manager research ratings assist with due diligence and ongoing monitoring and are used in decisions around selection, retention and realisation of an investment manager's appointment.

If the investment objective for the investment manager's fund changes, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees' wider investment objectives.

As the Trustees invests in a pooled investment vehicle they accept that they have no ability to specify the risk profile and return target of the manager, but an appropriate fund can be selected to align with the overall investment strategy.

(ii) Incentivising the investment manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an investee (or debtor) company, and to engage with investee (or debtor) companies in order to improve their performance in the medium to long-term:

The Trustees will consider the investment consultant's assessment of how the investment manager embeds ESG into its investment process and how the manager's responsible investment philosophy aligns with the Trustees' responsible investment policy.

Given the Scheme does not have any holdings in equities, the Trustees do not delegate any voting activities to the investment manager. The investment manager is aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustees are dissatisfied, then they will look to replace the manager.

(iii) Aligning the evaluation of the investment managers performance and the remuneration for investment management services with the Trustees investment policies:

The Trustees receive investment manager performance reports, which present performance information over the short term (3 and 12 months) and longer term (3 year and 5 year periods). The Trustees will review the manager if there are performance concerns.

If the manager is not meeting the performance objectives, or their investment objectives for the mandate have changed, the Trustees would expect to review the terms of the mandate. The Trustees would also expect to review the investment manager should the investment manager breach any of their investment guidelines.

(iv) Monitoring portfolio turnover costs incurred by the investment manager:

The Trustees receive quarterly reporting from the investment manager, which includes details on the costs associated with pooled fund unit transactions.

The Trustees do not currently monitor underlying portfolio turnover costs; these are expected to be negligible given the underlying investments are in short term cash-like instruments.

(v) Duration of the arrangement with the asset manager:

As noted in Section 2, the Trustee is aiming to complete a buy-out of the Plan's liabilities, which is expected to be executed within the next twelve months.

As the fund in which the Plan invests is open-ended, there is no set duration for the manager's appointment. The Trustees will retain the investment manager unless:

- There is a change to the overall investment strategy that no longer requires exposure to that asset class and/or manager;
- The manager appointment has been reviewed and the Trustees have decided to terminate the appointment and appoint another manager.

6. *COMPLIANCE WITH THIS STATEMENT*

The Trustees, the Investment Manager (LGIM), the Insurance Provider (LGAS) and Mercer, the Trustees' consultant, each have duties to perform to ensure compliance with this Statement. These are:

The Trustees will review this Statement regularly, on the advice of Mercer, and will record compliance with it at Trustees' meetings. The regular review will occur no less frequently than triennially, but may occur more frequently if a change of circumstance requires.

The **Investment Manager** will report regularly to the Trustees on

- the valuation of all investments held for the Plan
- records of all transactions together with a cash reconciliation

The **Insurance Provider** will report to the Trustees on

- records of all transactions

Mercer, the Trustees' consultant, will provide the advice needed to allow the Trustees to review and update this Statement regularly.

The Trustees of the Howden Group Pension Plan

Date of Amendments:	May 2000
	July 2004
	March 2005
	June 2007
	September 2007
	November 2007
	March 2009
	September 2009
	February 2010
	May 2011
	December 2011
	November 2013
	June 2014
	February 2017
	May 2017
	November 2017
	July 2018
	January 2019
	February 2019
	September 2019
	September 2020

APPENDIX

Legal & General Investment Management Charges

The fee for the Sterling Liquidity Fund is as follows:
0.125% per annum