RICHARDS HOGG PENSION AND LIFE ASSURANCE SCHEME

STATEMENT OF INVESTMENT PRINCIPLES - FEBRUARY 2024

1. INTRODUCTION

The Trustees of the Richards Hogg Pension and Life Assurance Scheme (the 'Scheme') have adopted this Statement of Investment Principles (the 'Statement') to comply with the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005. This Statement replaces all previous Statements.

When making their investment decisions and reviewing this Statement, the Trustees obtained and considered the written advice of Cartwright Benefit Solutions Limited, whom the Trustees reasonably believe to be qualified by its ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes. Cartwright Benefit Solutions Limited is also authorised under the Financial Services and Markets Act 2000 to provide investment advice to the Trustees.

Whilst the Trustees are solely responsible for the Scheme's investment strategy, the Trustees consult Charles Taylor Administration Services Limited (the 'Employer') on both the investment strategy and this Statement's content.

2. INVESTMENT OBJECTIVES

The primary investment objective of the Trustees is to ensure that the Scheme will be able to pay all beneficiaries in full as and when their benefits fall due, taking into account the existing assets, the investment returns expected to be achieved, and the contributions from the Employer.

To increase the certainty of achieving the primary investment objective, the Trustees will aim to reduce the Scheme's investment risk where possible and practical to do so, subject to still targeting sufficient investment returns. The level of investment risk will also be considered in the context of the ability and willingness of the Employer to support the investment risk being taken and the impact changes in financial market conditions may have on the Employer's future contribution requirements.

In January 2024, to help to achieve the objectives outlined above, the Trustees purchased a deferred cover bulk annuity policy with Canada Life to secure the majority of the benefits for all Scheme beneficiaries. The insurance policy will be in the Trustees' name. The uninsured benefits will be paid from the remaining assets held with London and Capital Asset Management Limited ('L&C') and the agreed future Employer contributions.

The expected return on the bulk annuity policies is broadly in line with expected returns on long-dated UK government bonds, which given the nature of bulk annuity policies is expected to be sufficient to pay all beneficiaries in full as and when their benefits fall due. In addition, L&C hold some illiquid assets which are being liquidated as soon as practically possible - the future expected returns on these illiquid assets could therefore be negative if haircuts need to be taken.

3. INVESTMENT STRATEGY PRINCIPLES

The Trustees' investment strategy for the Scheme is to invest in the bulk annuity policy with Canada Life, with the residual assets held by L&C. The Trustees also operate a bank account. Canada Life are authorised by the Prudential Regulation Authority and regulated by both the Financial Conduct Authority and the Prudential Regulation Authority. L&C are authorised and regulated by the Financial Conduct Authority.

A bulk annuity policy is an irrevocable contract with an insurance company, the payments from which exactly match the agreed benefits to be paid to those members for as long as they (and where relevant their dependants) live. Purchasing a bulk annuity policy is the only practical way to secure all members' benefits without waiting 50+ years for the last pension to be paid to the last beneficiary.

The Trustees' cash flow policy will be to utilise the bulk annuity payments from Canada Life to pay members' insured benefits. The uninsured benefits are to be paid from the remaining assets held with L&C and the agreed future Employer contributions.

4. RISK MEASUREMENT AND MANAGEMENT

The Trustees regularly review a wide range of risks to which the Scheme is exposed and mitigate these risks where possible and practical to do so. The Trustees believe that the investment strategy adopted is consistent with the agreed risk management policy because the bulk annuity policy removes all investment-related and member demographic risks for those member benefits covered by the policy.

Until the Canada Life policy data update/cleanse has been completed, and the final true-up payment has been made (including for GMP equalisation), there remains some uncertainty. However, the residual assets and the agreed future Employer contributions are expected to comfortably cover any potential variability in the final insurance premium and the uninsured benefits.

The selection, retention and realisation of the investments underlying the bulk annuity policy are managed by Canada Life in accordance with their obligations to their policyholders. The Scheme's assets are invested on regulated markets which includes the buy-in as a qualifying insurance policy.

5. MONITORING THE INVESTMENT STRATEGY

The Trustees regularly review the performance of the investment strategy. This has been simplified following the purchase of the Canada Life bulk annuity policy such that the Trustees' focus is on the performance of the residual assets and the net cash flow position.

The Trustees require L&C to report on the turnover of funds/securities within the portfolio, and on the associated transaction costs, in order to assess whether such activity, and changes in it, appears reasonable.

The Trustees will formally review and obtain written investment advice on the suitability of the investment strategy at least every three years in line with the timing of each triennial actuarial valuation. Certain parts of the investment strategy may be reviewed more frequently if required.

6. FEE STRUCTURES

L&C and the underlying fund managers are each paid a percentage of the market value of the assets under management. Additional performance fees may be payable to underlying fund managers. Some operational expenses are also incurred to cover administration, audit, legal and custodial costs, along with the transaction costs associated with the buying and selling of the underlying securities as the constituents of the funds change over time.

The bulk annuity insurer's expenses are embedded within the premium paid. No additional performance related fees are payable. Some operational expenses are also incurred by each fund to cover administration, audit, legal and custodial costs, along with the transaction costs associated with the buying and selling of the underlying securities as the investment manager changes the constituents of the fund over time.

The investment adviser is paid on a time-cost, fixed fee or other basis, as agreed from time-to-time between the Trustees and the investment adviser.

7. ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (‘ESG’)

The Trustees believe that their primary responsibility is to invest the Scheme’s assets for the longer-term financial best interests of the Scheme’s beneficiaries, as reflected by the Trustees’ strategic investment objectives (including the Scheme’s investment time horizon). The Trustees believe that ESG factors (including climate change risks) can potentially have a material positive or negative financial impact on the Scheme.

The Scheme’s investment funds are chosen by L&C to aim to achieve the Trustees’ strategic investment objectives, with consideration given to ESG factors when these fund choices are made and reviewed from time-to-time. The Trustees understand that ESG factors are more important for some asset classes than others.

The Scheme’s bulk annuity policy and investments are deliberately and consciously chosen to align with the Trustees’ strategic investment policies and objectives, in particular, to meet the benefit payments and minimise risk. In addition, the fees applicable to the Scheme’s investments are taken into account to ensure that these are consistent with the Scheme’s investment policies and objectives, as well as being compatible with the asset class(es) used.

L&C assesses the likelihood of each investment fund or security achieving its performance target on a medium/long term and sustainable basis.

The Trustees believe that, in general, good long term performance on non-financial measures will support and contribute to good long term performance on financial measures.

The Trustees and L&C will consider using the Scheme’s position as a stakeholder, either unilaterally or in concert with other stakeholders, to engage with investee companies to look to improve their financial and non-financial performance.

The Trustees measure and monitor performance versus target on an after fees basis where practical to do so. Part of this monitoring process includes the consideration of the portfolio turnover costs and whether (or not) the turnover is consistent with the overall investment philosophy and process.

The Trustees’ and L&C’s intention is to invest for the long term and to avoid switching between investment funds or securities based solely on short term performance, which could incur transaction costs which may or may not be offset by future returns. However, if L&C believes that an investment fund or security can no longer achieve its performance target, and believes that it is in the Scheme’s best interests to make a change, it will do so.

The application of ESG factors and the stewardship of the assets (including the exercising of voting and other rights attached to investments) are delegated to L&C (who may delegate to the underlying fund managers) and may differ depending on the objectives of each investment fund and the managers’ own policies in this regard. L&C should monitor and engage with relevant persons (including the investment managers of pooled funds held, and other stakeholders) about relevant matters such as performance, strategy, capital structure and management of any actual or potential conflicts of interest.

The Trustees obtain and review the relevant ESG, Stewardship and corporate governance policy documents for L&C. When relevant, the Trustees will challenge L&C on its policies. Should the Trustees’ be dissatisfied with the response it will engage further with L&C.

The Trustees do not explicitly take into account the views of the Scheme's beneficiaries, including (but not limited to) ethical views and views in relation to social and environmental impact and present and future quality of life of the Scheme's beneficiaries.

8. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Some members have obtained further benefits by paying Additional Voluntary Contributions ('AVCs') to the Scheme's Prudential Assurance Company Plc and Equitable Life Assurance Society AVC policies. The AVCs are money purchase in nature, i.e. the liabilities in respect of these AVCs are equal to the value of the investments bought with the contributions.

9. FUTURE REVIEW

The Trustees will review this Statement at least every three years and without delay after any significant change in investment policy.

Any such review will be based on written investment advice from someone whom the Trustees reasonably believe to be qualified by his or her ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes. The Employer will also be consulted.

Signed David Habgood
David Habgood (Mar 12, 2024 16:26 GMT)............. Date Mar 12, 2024
For and on behalf of the Trustees of the Richards Hogg Pension and Life Assurance Scheme .