

## CHAIR'S ANNUAL STATEMENT

### The Antolin Interiors Pension Scheme ('the Scheme')

#### Introduction

As Chair of the Scheme, I present below my 'Annual Statement' for the year from 6th April 2020 to 5th April 2021.

As Trustees, our overall goal is to provide members with a valued benefit, clear communication and support throughout membership of the Scheme. The matters noted below and the further 'Governance Statement', shows the work we have been doing in the Statement year to achieve this.

This 'Governance Statement' shows how we have met the statutory governance standards in relation to:

- The default investment arrangement;
- Requirements for processing financial transactions;
- Assessment of charges & costs, including an illustration of the effect of these on members' pension pots;
- Value for Members of the Scheme; and
- The requirements for Trustee Knowledge and Understanding.

#### A few details on the Scheme...

The Scheme is a defined contribution arrangement. It is a major part of the benefit package available to employees of Antolin Interiors (UK) Ltd (the Principal Employer) and Grupo Antolin UK Limited.

It is overseen by the Board of Trustees. Over the Scheme Year, the Trustees of the Scheme were Jo Hutchinson, Jamie Finch and Mitra Milbourne.

The total assets of the Scheme increased from £48.8m at 6 April 2020 to £63.0m at 5 April 2021. The total number of members has decreased from 2,582 to 2,564 over the same period.

#### The impact of the coronavirus

During the Scheme Year, the coronavirus caused material disruption to all of our lives. The Trustees wish all of our members well at this time. The operations of the Scheme continued throughout the disruption, and we are comfortable that all core administration, governance and investment matters continued to operate sufficiently during the period.

#### We have considered if the Scheme is 'Value for Members'

The Trustee Board has considered whether the charges met by members represent good value when compared to all of the facilities the Scheme provides. We think it does and confirm this in the Statement.

### **Plans for the coming year**

Grupo Antolin UK Limited and Antolin Interiors (UK) Ltd have taken the decision to change the pension vehicle for its current employees. All contributions in respect of its current employees are being paid to a new scheme, the Grupo Antolin Pension Scheme, from 1 August 2021. Further to a request from the companies, the Trustees have decided that the benefits held in the Antolin Interiors Pension Scheme for active employees and deferred members will be transferred to the Grupo Antolin Pension Scheme. This is expected to occur in October 2021. The wind-up of the Antolin Interiors Pension Scheme is then expected to be completed within a few months of the transfer. A communication is being issued to members in the summer of 2021 to confirm the changes and provide further details.

Thank you for reading and if you have any questions please contact the Scheme's Administrator at:

Mail: The Antolin Interiors Pension Scheme, XPS Pensions Group, PO Box 205, Huddersfield, HD8 1ET

Helpline: 0118 918 5568

E-mail: [AntolinInteriors@xpsgroup.com](mailto:AntolinInteriors@xpsgroup.com)

## **Governance Statement**

Below we include the several areas on which we are required to confirm the actions that have been undertaken in the year. We start by looking at the investment options, and our governance of these.

### **The Scheme's investment strategy**

We receive quarterly reports from our investment manager, Legal & General (L&G), on the performance of the investments and the wider economy.

The Trustees have in place a formal written 'Statement of Investment Principles' which sets out the Trustees' investment policy.

### **Review of the default investment option**

The default investment option is the Lifestyle Strategy. This has two phases; the Growth Phase and the Protection Phase. During the Growth Phase, members are invested 100% in the Mixed Assets Fund. During the Protection Phase, as members move towards their Target Retirement Age, their funds are automatically switched between the Mixed Asset Fund, the Diversified Fund and the Cash Fund.

The Trustees last reviewed the default investment option strategy on 7 May 2019. The review considered the requirements of the membership based on their profile (including age, pension pot values, contributions and their typical benefit selections at retirement), alongside market trends and events. Advice was received from the Trustees' consultant; and having considered this advice the Trustees decided on 7 May 2019 to make changes to the default investment strategy. These changes were implemented in September 2019 and a revised Statement of Investment Principles dated 30 September 2019 was written to reflect this. A new version was later signed in September 2020 to incorporate further disclosure requirements at that time, and this copy is included in the Appendix to this Statement.

The changes made at September 2019 were to the Mixed Asset Fund. This is a blended fund, made up of a variety of underlying funds. The Trustees concluded that the Fund's holding of c. 50% in UK equities, led to a concentration risk, whereby a fall in UK equity values would have a material effect on the performance of the Fund. Therefore, the 80% of the Fund which is held in equities was re-allocated to a global equity fund, which invests in global equities in a proportion based on the market capitalisation of geographic markets.

The Trustees decided to retain the Mixed Asset Fund's 20% holding in the LGIM Over 5 Year Index-Linked Gilts Index Fund, as well as the glidepath to retirement, both of which they concluded remained appropriate.

## **Core financial transactions**

During the year the Trustees ensured the core financial transactions of the Scheme were processed promptly and accurately by:

- Having an agreement with their service providers (primarily being XPS Pension Group as administrator and advisor to the Scheme) committing them to defined service level agreements (“SLAs”). This covers, amongst other matters, the accuracy and timelines of all core financial transactions such as processing of member requests, contribution investment, switching of funds and transfer in of monies;
- Having the service providers report quarterly on their performance against the SLAs above as a means of monitoring the SLA requirements were being met and to cover what they did to ensure no issues arose, and these are considered at each Trustee meeting; and
- Having the Scheme’s auditor independently test a sample of financial transactions for accuracy and timeliness as part of the annual audit process.

The core financial transactions include:

- The investment of contributions to the Scheme
- The transfer of assets relating to members into and out of the Scheme
- The transfer of assets relating to members between different investments within the Scheme
- Payments from the Scheme to, or in respect of, members.

The Trustees confirm that in the reporting period there have been no material administration service issues. The Trustees have considered the report on internal controls prepared by XPS Pension Group (in its capacity as the Scheme’s administrator) for the year to 31 December 2020 (with a ‘bridging letter’ having been provided for the period to 5 April 2021). It is satisfied that the processes and controls in place have been subject to independent audit under AAF 01/06 and ISAE 3402 and will ensure that the financial transactions which are important to members are dealt with properly.

### Charges and transaction costs

All members of the Scheme pay a Scheme Administration charge of 0.45% p.a., deducted from their Pension Pot monthly.

Further, the Fund Manager Charges and other charges and expenses applied to the default arrangement during the year were:

Fund	Fund Management Charge (FMC) per annum	Other charges and expenses	Ongoing Charge Figure (OCF)
Mixed Asset Fund*	0.20%	0.00%	0.20%
Diversified Fund	0.30%	0.02%	0.32%
Cash Fund	0.12%	0.00%	0.12%

Source L&G as at 31 March 2021

\*Based on the Mixed Fund average value of client holding for the year to 31 March 2021

The Fund Manager Charges and other charges and expenses applicable to the Self Select Funds available were:

Fund	Fund Management Charge (FMC) per annum	Other charges and expenses	Ongoing Charge Figure (OCF)
Global Equity (70:30) Index Fund	0.16%	0.04%	0.20%
Over 15 Year Gilts Index Fund	0.10%	0.00%	0.10%
Over 5 Year Index – Linked Gilts Index Fund	0.10%	0.00%	0.10%
Cash Fund	0.12%	0.00%	0.12%
Diversified Fund	0.30%	0.02%	0.32%
Mixed Fund	0.20%	0.00%	0.20%

Source L&G as at 31 March 2021

\*Based on the Mixed Fund average value of client holding for the year to 31 March 2021

### Transaction costs

Transaction costs are costs associated with buying and selling of investments and include, for example, stamp duty and brokerage fees. Transaction costs are incurred when contributions are invested, on switching between funds and when selling investments to take benefits. The following table indicates transaction costs incurred by each of the funds available for investment over assessment periods monitored by the investment manager:

Fund	Transaction costs
Global Equity (70:30) Index Fund	0.00%
Over 15 Year Gilts Index Fund	0.00%
Over 5 Year Index – Linked Gilts Index Fund	0.03%
Cash Fund	0.00%
Diversified Fund	0.00%
Mixed Fund*	0.04%

Source L&G as at 31 March 2021

\*Based on the Mixed Fund average value of client holding for the year to 31 March 2021

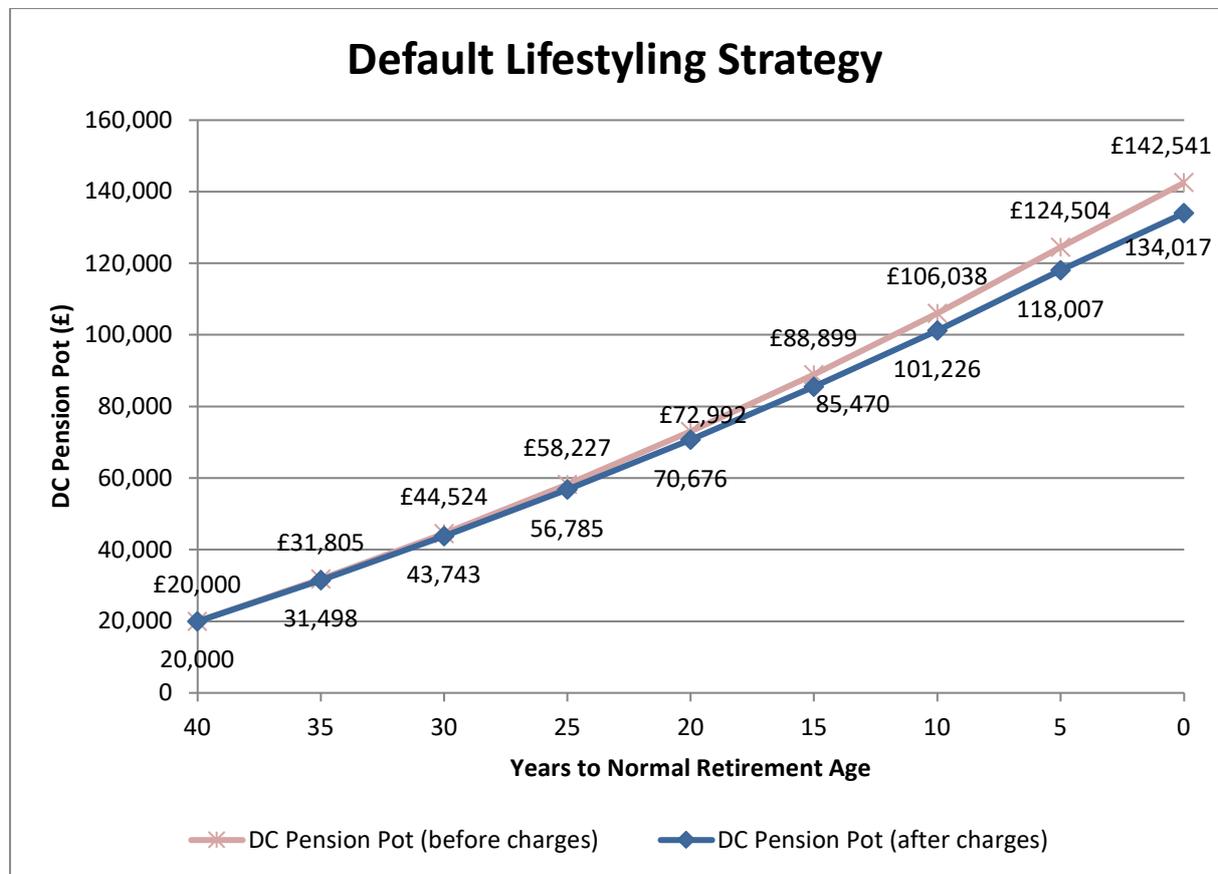
### Illustration of charges levied on members

Below you can find an illustration of the effect of the Scheme Administration Charge + Ongoing Charge Figures + transaction costs met by members on an example pension pot in the default investment option over time.

This is for illustration purposes only. The actual returns received are likely to differ over time as will individual member's pension pot sizes. This illustration is based on:

- The Plan's default investment option, the Lifestyle Fund
- An initial pension pot of £20,000 – which was the average pot size in the period.
- Contributions of 8% throughout the period, on earnings of £25,000 pa (increasing at the rate of inflation in the period being 2.5% p.a.)
- Investment returns estimated as 4.04% p.a. for the Mixed Assets Fund (in which all monies are invested until 5 years from Normal Retirement Date – 'NRD') and 4.78% p.a. in the LGIM Diversified Growth Fund and -0.02% p.a. in the LGIM Cash Fund (which are gradually switched into in the 5 years leading up to retirement)
- Inflation of 2.5% p.a.

Illustrations for all of the 'Self Select' funds available to members in the Plan are shown in Appendix A of this Statement.



In preparing these illustrations, the Trustees have had regard to:

- The Department for Work and Pensions' 'Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes';
- Actuarial Standards Technical Memorandum 1 (AS TM1 v4.2) issued by the Financial Reporting Council; and
- The Financial Conduct Authority (FCA) Transaction cost disclosure in workplace pensions Policy Statement PS17/20.

### Value for members

In considering whether the Scheme represents value for members, we have compared the charges members meet (as noted in the section above) versus the broad benefits that the Scheme provides them.

The Trustees have concluded that:

- The returns of the investment strategy have been broadly in-line with its benchmarks;
- The administration of the Scheme is meeting its SLA's, and is accurate and responsive to member needs;

- The Trustees have suitable level of knowledge, have undertaken suitable training and have governed the Scheme effectively over the year;
- The communications provided to members are suitable and give them the information they need in order to understand and take action with their benefits. This includes the provision of an online member website, which includes documentation (Member Booklets), the ability to change personal details and to request investment switches;
- The Trustees believe that the charges met by member are broadly in line with schemes of this type and structure.

The Trustees therefore conclude that the Scheme is good value for members.

### **Trustee Knowledge and Understanding**

The Trustees have considered their knowledge and understanding and concluded that they have complied with the requirements in section 248 of the Pensions Act 2004, and that their combined knowledge and understanding, together with available advice, enables them to properly exercise their functions.

As a result of training activities that have been completed by the Trustees individually and collectively as a board (as recorded in a Trustee Training Log) and taking into account the professional advice available to the Trustees, we are confident we have met the legislative requirements for knowledge and understanding and that the combined knowledge and understanding of the board enables it to properly exercise its functions as Trustees. Examples of training in the Scheme Year include Master Trusts and their operation; and investment strategies and ESG approaches.

The Trustees have demonstrated the following key areas of TKU during the Scheme Year:

- a working knowledge of the trust deed and rules, the current Statement of Investment Principles and all documents setting out the Trustees' current policies – for example, these are available via an online document depository and the Trustees consult the relevant documents regarding their specific application as need arises;
- sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational pension schemes - for example, consideration of investment strategies in Master Trusts compared to the Scheme,;
- sufficient knowledge and understanding of the law relating to pension and trust law – for example, the Trustees take advice from its professional advisors and undertakes relevant training;

Jamie Finch is a new Trustee that has been appointed in the Scheme Year. Any new Trustees are required to undertake familiarisation training, and also to complete relevant aspects of the Pension Regulator's toolkit within 6 months of taking office, and these have been completed.

## **Contact details**

If you have any questions on the Scheme, or would like further details these are available via:  
**[www.xpsonline.co.uk](http://www.xpsonline.co.uk)**

Or, if you have any questions about your Pension Pot, please contact the Scheme's Administrators:

- XPS Pensions Group, PO Box 205, Huddersfield, HD8 1ET
- Helpline:- 0118 918 5568
- E-mail:- [AntolinInteriors@xpsgroup.com](mailto:AntolinInteriors@xpsgroup.com)

If you feel that you need to contact the Trustees directly, please contact:

Claire McCarron, Regional HR Director UK, Antolin Interiors Ltd, Tachbrook Park, Leamington Spa, Warwick, CV34 6RW

Thank you for reading this statement:

Signed by Jo Hutchinson, Chair of The Antolin Interiors Pension Scheme (Pension Scheme number: 10226394)

Date: 06/09/2021

**Attachments** Appendix A – Illustration of member costs and charges for Self Select Funds;  
Appendix B - Statement of Investment Principles relating to the default arrangement

## Appendix A

Below you can find an illustration of the effect of the Scheme Administration Charge + Ongoing Charge Figures + transaction costs met by members on the Self Select Funds.

This is for illustration purposes only. The actual returns received are likely to differ over time as will individual member's pension pot sizes. This illustration is based on:

- An initial pension pot of £20,000 – which was the average pot size in the period.
- Contributions of 8% throughout the period, on earnings of £25,000 pa (increasing at the rate of inflation in the period being 2.5% p.a.)
- Inflation of 2.5% p.a.

	Mixed Assets Fund		Diversified Fund		Over 15 Year Gilts Index Fund	
Inv Rtn	4.04%	4.04%	4.78%	4.78%	-0.12%	-0.12%
Charges	0.00%	0.24%	0.00%	0.23%	0.00%	0.10%
Years to Normal Retirement Age	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)
40	20,000	20,000	20,000	20,000	20,000	20,000
35	35,984	35,637	37,075	36,600	30,362	30,237
30	56,994	55,995	60,194	58,788	42,040	41,736
25	84,331	82,242	91,148	88,128	55,205	54,664
20	119,606	115,811	132,230	126,594	70,056	69,209
15	164,814	158,456	186,365	176,669	86,812	85,584
10	222,422	212,328	257,279	241,477	105,725	104,032
5	295,472	280,054	349,719	324,940	127,079	124,825
0	387,719	364,844	469,726	431,984	151,193	148,273

	Cash Fund		Global Equity (70:30) Index Fund		Over 5 Year Index-Linked Gilt Fund	
Inv Rtn	-0.02%	-0.02%	5.01%	5.01%	-0.12%	-0.12%
Charges	0.00%	0.12%	0.00%	0.20%	0.00%	0.13%
Years to Normal Retirement Date	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)
40	20,000	20,000	20,000	20,000	20,000	20,000
35	30,488	30,337	37,420	37,120	30,362	30,200
30	42,345	41,979	61,226	60,327	42,040	41,646
25	55,753	55,097	93,389	91,437	55,205	54,502
20	70,916	69,885	136,457	132,773	70,056	68,957
15	88,063	86,565	193,711	187,304	86,812	85,220
10	107,455	105,384	269,377	258,821	105,725	103,531
5	129,388	126,623	368,889	352,153	127,079	124,160
0	154,195	150,603	499,230	473,457	151,193	147,412

Appendix B



# **Statement of Investment Principles**

**For the Trustees of the Antolin Interiors Pension Scheme**

September 2020

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# 01 Introduction

## Purpose

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This Statement describes the investment policy of the Trustees of the Scheme and is issued by the Trustees to comply with the Act and the Regulations. It supersedes the previous Statement and has been updated following changes to the Regulations. The wording of the Statement was agreed by the Trustees in September 2020.

The exclusive purpose of the Scheme is to provide retirement and death benefits to eligible participants and beneficiaries. It qualifies as a registered pension scheme, under Chapter 2 of Part 4 of the Finance Act 2004.

## Advice and consultation

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Before preparing this Statement, the Trustees have sought advice from the Scheme's Investment Consultant, XPS Investment Limited. The Trustees have also consulted the Principal Employer. The Trustees will consult the Principal Employer on any future changes in investment policy as set out in this Statement.

## Investment powers

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The Scheme's Trust Deed and Rules set out the investment powers of the Trustees. This Statement is consistent with those powers. Neither this Statement nor the Trust Deed and Rules restrict the Trustees' investment powers by requiring the consent of the Principal Employer.

In accordance with the Financial Services and Markets Act 2000, the Trustees set general investment policy but delegate responsibility for the selection of the specific securities and any financial instruments in which the Scheme invests to the Investment Managers.

## Review of the Statement

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The Trustees will review this Statement at least every three years or immediately following any significant changes in investment policy, or changes in the demographic profile of relevant members.

The Trustees will receive confirmation from the Investment Consultant of the continued appropriateness of this Statement annually, or more frequently if appropriate.

## Definitions

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Capitalised terms in this document mean the following:

*Act* - The Pensions Act 1995 (as amended by section 244 of the Pensions Act 2004)

*AVCs* - Additional Voluntary Contributions

*Investment Manager* - A person or organisation appointed by the Trustees to manage investments on behalf of the Scheme

*Scheme* - the Antolin Interiors Pension Scheme

*Principal Employer* - Antolin Interiors (UK) Limited

*Regulations* - The Occupational Pension Schemes (Investment) Regulations 2005 (as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015).

*Statement* - This document, including any appendices, which is the Trustees' Statement of Investment Principles

*Trustees* - The group of individuals responsible for the investment of the Scheme's assets and managing the administration of the Scheme

# 02 Division of responsibilities

The Trustees are accountable for all aspects of the Scheme's investments, however, as permitted within the Trust Deed and Rules, the Trustees have delegated some of the decision making powers and other responsibilities as set out below.

## Trustees

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The Trustees have retained the following responsibilities and powers for themselves:

- > The content and the reviewing of this Statement.
- > Reviewing the investment policy.
- > Appointing the Investment Managers and (where appropriate) the Custodian(s).
- > Assessing the performance and investment process of the Investment Managers.
- > Consulting with the Principal Employer when reviewing investment policy issues.
- > Monitoring compliance of the investment arrangements with this Statement on an ongoing basis.

In addition, the Trustees of the Scheme will make decisions relating to the Scheme's investments, including issues such as:

- > The kinds of investments to be held.
- > The balance between different kinds of investments.
- > The level of risk to which the Scheme is exposed to.
- > The Investment Manager arrangements.
- > The performance target of the Investment Managers.

## Investment Consultant

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The Investment Consultant's responsibilities include:

- > Participating with the Trustees in regular reviews of this Statement, and in the review of investment related issues as described in this Statement.
- > Undertaking project work as required, including reviews of the range of assets covered by the investment options available to members and reviews or selection of Investment Managers.

## Investment Managers

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Each Investment Manager's responsibilities will include:

- > Investing in diversified portfolios of assets suitable for pension schemes in accordance with the mandate they have been given by the Trustees
- > At their discretion, but in accordance with the mandate the Trustees have given them, implementing changes in the asset mix and selecting individual securities and financial instruments within each asset class.
- > Providing the Trustees with regular portfolio valuations and records of transactions, along with a report at least annually, on actions and future intentions, and any changes to the processes, objectives and guidelines applied to their management of the Scheme's assets to enable the Trustees to review the Investment Manager's activities.
- > Exercising the rights attached to the shareholdings of the Scheme so as to protect and enhance the long-term value of a stock holding for the Scheme
- > Reporting in person at a meeting of the Trustees as requested.

## Custodian

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Each Custodian's responsibilities include some or all of the following:

- > The safekeeping of all of the assets of the Scheme.
- > Providing the Investment Managers with statements as required of the assets, cashflows and schedules of transactions.
- > Undertaking all appropriate administration relating to the Scheme's assets.
- > Processing all dividends and tax reclaims in a timely manner.
- > Dealing with corporate actions.

For pooled assets, the Custodian is invariably appointed by the Investment Managers with the above functions undertaken on behalf of the pooled fund as a whole. Record keeping of the Scheme's entitlement within the pooled fund is the responsibility of the pooled fund administrator or registrar.

Member records are held by the Scheme administrator.

# 03 Strategic investment policy and objectives

## Choosing investments

The Trustees rely on professional Investment Managers for the day-to-day management of the Scheme's assets.

In view of the requirements in respect of the efficient administration of individual entitlements for each member, all the investments are made on a pooled basis. Decisions about the particular pooled investment vehicles offered to members are made by the Trustees.

The Trustees' policy is to regularly review the investments over which they retain control and to obtain written advice about them when necessary. When deciding whether or not to make any new investments the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the Investment Managers. The written advice will consider suitability of the investments, the need for diversification and the principles within this Statement. The adviser will have the knowledge and experience required under Section 36(6) of the Act.

## Long-term objectives

The Trustees' long-term objectives are to provide members with investment options that will enable them to optimise the real return on investments in order to build a fund which will be used at retirement to invest in an income drawdown product, purchase an annuity and/or be taken as a cash lump sum. The Trustees have therefore selected the investment options:

- > In the best interests of members
- > In a manner calculated to ensure their security, quality, liquidity and profitability

The Trustees recognise that the available investment options directly impact the Scheme members and their expectation for their retirement provision.

The Trustees have therefore set three investment objectives for the Scheme:

- > **Fiduciary** To ensure members are given an appropriate range of investment vehicles and guidance on the suitability of these vehicles
- > **Funding** To give members investment opportunities that enable them to maximise the returns achieved at acceptable levels of risk.
- > **Stability** To provide members with investment vehicles which offer protection against volatility in the capital value of their fund.

## Expected returns

By undertaking the investment policy described in this Statement, the Trustees anticipate that the investment options and the associated future absolute investment returns will allow members to maintain the real value of their fund whilst at the same time providing them with the opportunity to invest in assets which are closely aligned to the way in which they expect to convert their fund at retirement.

## Investment Policy

In order to meet the above objectives, the Trustees have made available a range of investment funds with different risk-reward characteristics.

The individual funds available and their characteristics are given in Appendix II.

## Range of assets

The Trustees will provide members with investment vehicles encompassing both real and monetary assets.

The Trustees will ensure that the investment options made available to members hold a suitably diversified range of securities, avoiding an undue concentration of assets. In addition, the Trustees will ensure the range of assets is otherwise suitable to meet the investment objectives as set out in Appendix II.

Based on the structure set out in Appendix I, the Trustees consider the arrangements with the Investment Managers to be aligned with the Scheme's overall strategic objectives. Details of each specific mandate are set out in agreements and pooled fund documentation with the Investment Platform Provider and each Investment Manager. The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them through asset allocation parameters set by the Trustees or governing the pooled funds in which the Scheme is invested.

The Trustees will ensure that the Scheme's assets are predominantly invested in regulated markets to maximise their security.

Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Scheme's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustees' expectations, including the selection / deselection criteria set out in Section 7.

The Trustees encourage Investment Managers to make decisions in the long-term interests of the Scheme. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights, on the basis that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns. As covered in more detail in Section 4, the Trustees also require the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustees believe these factors could have a material financial impact in the long-term. The Trustees therefore make decisions about the retention of Investment Managers, accordingly.

# 04 Responsible investment

The Trustees have considered their approach to environmental, social and corporate governance (“ESG”) factors for the long term time horizon of the Scheme and believe there can be financially material risks relating to them. The Trustees have delegated the ongoing monitoring and management of ESG and those related to climate change to the Scheme’s Investment Managers. The Trustees require the Scheme’s Investment Managers to take ESG and climate change risks into consideration within their decision-making in relation to the selection, retention or realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees will seek advice from the Investment Consultant on the extent to which their views on ESG and climate change risks may be taken into account in any future investment manager selection exercises.

Furthermore, the Trustees, with the assistance of the Investment Consultant, will monitor the processes and operational behaviour of the Investment Managers from time to time, to ensure they remain appropriate and in line with the Trustees’ requirements as set out in this Statement.

As the Scheme invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the investments to the Investment Managers and encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees.

If the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees’ expectation, then the Trustees may consider terminating the relationship with that Investment Manager.

When considering the selection, retention or realisation of investments, the Trustees have a fiduciary responsibility to act in the best interests of the beneficiaries of the Scheme, although they have neither sought nor taken into account the beneficiaries’ views on risks including (but not limited to) ethical issues and social and environmental impact. The Trustees will review this policy if any beneficiary views are raised in future.

# 05 Risk measurement and management

The Trustees recognise a number of risks involved in the investment of the assets of the Scheme. The Trustees measure and manage these risks as follows:

**Strategic risk** - The risk of not maintaining the real purchasing power of assets is addressed through the availability of growth orientated funds

**Market risk** - The risk of exposure to volatile markets, which may be less acceptable to some members, particularly near retirement, is addressed through the availability of non-equity orientated funds.

**Manager risk** - The risk of an Investment Manager failing to meet the stated objectives is addressed through the performance objectives set out in Appendix II and through the ongoing monitoring of the manager as set out in this section. Passively managed funds are also offered where appropriate to enable members to reduce manager performance risk. In monitoring the performance of the Investment Managers the Trustees measure the performance of the vehicles in which they are invested, the returns relative to benchmark and objective and the volatility of returns. In addition, the Trustees will regularly review the Manager's approach to risk in order to highlight any unintended risk being taken. For example:

- > for equities the Trustees will review the risk through the weightings to individual regions, sectors and stocks;
- > for multi asset (including with profit) funds the Trustees will consider the weightings within each fund to different asset classes, and they will also consider the volatility of each fund both in absolute terms and in comparison to the volatility of traditional equity markets;
- > for bonds, the Trustees will review the risks of the underlying assets held within the fund;
- > for cash, the Trustees will review the risk through the type of cash instruments held and the term of these instruments.

**Political risk** – The risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.

**Custodian risk** – The risk that the custodian fails to provide the services expected is addressed through the agreement with the third party custodian and ongoing monitoring of the custodial arrangements. In pooled arrangements this is invariably delegated to the Investment Managers.

**Counterparty risk** – This is addressed through the Investment Managers' guidelines with respect to cash management.

**Fraud/Dishonesty** - The risk that the Scheme assets are reduced by illegal actions is addressed through restrictions applied as to who can authorise transfers of cash and the account to which transfers can be made.

**Administration risk** – The risk of administrative errors leading to inaccurate member records is addressed through controls built into the cash collection/allocation procedure and through monthly reconciliations of the administration records with those held by the investment manager. In accordance with XPS's ISO 9001:2015 accredited Business Process Management System, every event is recorded and documentary evidence retained as part of an audit trail.

**Inappropriate investments** – The risk that an Investment Manager invests in assets or instruments that are not considered to be appropriate by the Trustees is addressed through the Trustees' policy on the range of assets in which the Scheme can invest (see Section 3).

# 06 Realisation of assets and investment restrictions

## Realisation of investments

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In recognition of the fact that funds may need to be realised for a number of unanticipated reasons at any time, and the desirability of retaining as high a degree of flexibility as possible to cater for unexpected changes in circumstances, the Trustees will monitor closely the extent to which any assets not readily realisable are held by the Investment Managers, and will limit such assets to a level where they are not expected to prejudice the proper operation of the Scheme.

The Trustees have considered how easily investments can be realised for the types of assets in which they are currently invested. As such, the Trustees believe that the Scheme currently holds an acceptable level of readily realisable assets. The Trustees will also take into account how easily investments can be realised for any new investment options they consider making available to members, to ensure this position is maintained in the future.

The Trustees will hold cash to the extent that they consider necessary to meet impending anticipated liability outflows. A bank account is used to facilitate the holding of cash awaiting investment or payment.

## Investment Restrictions

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The Trustees have established the following investment restrictions:

- > The Trustees may not hold in excess of 5% of the Scheme's assets in investments related to the Principal Employer.
- > Whilst the Trustees recognise that borrowing on a temporary basis is permitted, this option will only be utilised where it is deemed absolutely necessary or where the Trustees have received advice from the Investment Consultant that the Scheme's overall exposure to risk can be reduced through temporary borrowing, e.g. during an asset transfer.
- > The Trustees will ensure that the Scheme's assets are predominantly invested in regulated markets to maximise the security of the members' entitlements.
- > Investment in derivative instruments may be made only insofar as they contribute to the reduction in risk or facilitate efficient portfolio management.

The Investment Managers impose internal restrictions that are consistent with their house style. In some instances, the Trustees may impose additional restrictions and any such restrictions are specified in Appendix II.

# 07 Investment Manager Arrangements and fee structure

## Delegation to Investment Manager(s)

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In accordance with the Act the Trustees have appointed one or more Investment Managers and delegated to them the responsibility for investing the Scheme's assets in a manner consistent with this Statement.

The Investment Managers are authorised and regulated to provide investment management services to the Scheme. Within the UK, the authorisation and regulation of the Investment Managers falls under the Financial Conduct Authority (FCA). Specific products in which the Scheme invests may also be regulated by the Prudential Regulatory Authority (PRA). For non-UK Investment Managers, authorisation and regulation is undertaken by the home state regulator.

The Investment Managers will ensure that suitable internal operating procedures are in place to control individuals making investments for the Scheme.

## Performance objectives

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The individual benchmarks and objectives against which each pooled fund is assessed are given in Appendix II.

## Review process

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Appointments of Investment Managers are expected to be long-term, but the Trustees will review the appointment of the Investment Managers in accordance with their responsibilities. Such reviews will include analysis of each Investment Manager's performance and processes and an assessment of the diversification of the assets held by the Investment Manager. The review will include consideration of the continued appropriateness of the mandate given to the Investment Manager within the framework of the Trustees' investment policy.

The Trustees receive quarterly reports from the Investment Manager. If there are concerns, the Trustees may carry out a more in-depth review of a particular Investment Manager. The Investment Manager will also attend meetings of the Trustees as requested.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustees' policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

## (De)selection criteria

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The criteria by which the Trustees will select (or deselect) the Investment Managers include:

- > Parent - Ownership of the business;
- > People - Leadership/team managing the strategy and client service;
- > Product - Key features of the investment and the role it performs in a portfolio;
- > Process - Philosophy and approach to selecting underlying investments including operational risk management and systems;
- > Positioning - Current and historical asset allocation of the fund;
- > Performance - Past performance and track record;
- > Pricing - The underlying cost structure of the strategy;
- > ESG – Consistency and extent to which ESG analysis is incorporated into the process of selecting underlying investments.

An Investment Manager may be replaced, for example (but not exclusively), for one or more of the following:

- > The Investment Manager fails to meet the performance objectives set out in Appendix II.
- > The Trustees believe that the Investment Manager is not capable of achieving the performance objectives in the future.
- > The Investment Manager fails to comply with this Statement.

## Investment Managers' fee structure

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The Investment Managers are remunerated by receiving a percentage of the Scheme's assets under management.

It is felt that this method of remuneration provides appropriate incentives for the Investment Managers to target the agreed level of outperformance whilst adhering to the level of risk specified by the Trustees.

## Portfolio turnover

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The Trustees require the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.

## Investment Consultant's fee structure

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The Investment Consultant is remunerated by a combination of fixed fees and work completed on a project-fee or time-cost basis.

It is felt that this method of remuneration is appropriate because it enables the Investment Consultant to provide the necessary advice and information to facilitate the Trustees undertaking their responsibilities as described in Section 2.

# 08 Compliance Statement

## Confirmation of advice

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Before a Statement of Investment Principles, as required by the Pensions Act 1995, is prepared or revised by the Trustees of a pension scheme, they must have consulted with the Principal Employer and obtained and considered the written advice of a person who is reasonably believed by them to be qualified by his 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 investment consultant hereby confirms to the Trustees that they have the appropriate knowledge and experience to give the advice required by the Act and have provided the necessary written advice to the Trustees.

On behalf of XPS Investment Limited

Craig Malenga FFA

Partner – Investment

Date: 25 September 2020

## Trustees' declaration

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The Trustees confirm that this Statement of Investment Principles reflects the Investment Strategy they have decided to implement. The Trustees acknowledge that it is their responsibility, with guidance from the Investment Consultant, to ensure the assets of the Scheme are invested in accordance with these Principles.

On behalf of the Trustees

Joanne Hutchinson

Trustee

Date: 21 September 2020

# Appendix I

## Investment Strategy & Structure

### Overall strategy

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The Trustees have decided to offer a range of appropriate funds to members to enable them to choose investments appropriate to their individual circumstances whilst not offering too many funds which may deter some members from making a choice. In accordance with best practice guidance from the Pensions Regulator, particular attention has been placed on the default strategy to be used where members do not make their own investment choice.

The range of investment options is as follows:

### Default Strategy:

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#### Growth Phase

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Up until 5 years before retirement: 100% Mixed Assets Fund

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#### Income Alignment Phase

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Gradually switching from 5 years before retirement to: 75% Diversified Fund  
25% Cash Fund

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### Self-Select Options:

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#### Mixed Assets Fund

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80% LGIM World Equity Index Fund – GBP Hedged  
20% LGIM Over 5 Year Index-Linked Gilts Index Fund

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#### Diversified Fund

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100% LGIM Diversified Fund

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#### Global Equity Fund

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100% LGIM Global Equity (70:30) Index Fund

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#### Fixed Interest Fund

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100% LGIM Over 15 Years Gilts Index Fund

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#### Index-linked Fund

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100% LGIM Over 5 Years Index-Linked Gilts Index Fund

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#### Cash Fund

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100% LGIM Cash Fund

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**Note:** LGIM refers to Legal & General Investment Management Limited

# Appendix II

## Performance benchmarks and objectives

### Legal & General Investment Management (LGIM)

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#### LGIM Mixed Assets Fund

*Benchmark* 80% FTSE World Index - GBP Hedged  
20% FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index

*Objective* To match the benchmark return.

#### LGIM Global Equity (70:30) Index Fund

*Benchmark* 70% FTSE All Share Index  
30% FTSE regional indices weighted by the allocations to each region as per the FTSE All World (ex UK) Index  
FTSE North America Index  
FTSE Developed Europe ex UK Index  
FTSE Japan Index  
FTSE Developed Asia Pacific ex Japan Index  
FTSE Emerging Index

*Objective* To match the benchmark return.

#### Cash Fund

*Benchmark* 7-Day GBP LIBID

*Objective* To perform in line with the benchmark, without incurring excessive risk.

#### LGIM Over 5 Years Index-linked Gilts Index Fund

*Benchmark* FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index

*Objective* To track the performance of the benchmark within +/-0.25% p.a. for two years out of three.

#### LGIM Over 15 Years Gilts Index Fund

*Benchmark* FTSE Actuaries UK Conv Gilts Over 15 Years Index

*Objective* To track the performance of the benchmark within +/-0.25% p.a. for two years out of three.

#### LGIM Diversified Fund

*Benchmark* n/a

*Objective* To provide long-term investment growth through exposure to a diversified range of asset classes



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