

**THE HENRY BUTCHER & CO PENSION
FUND AND LIFE ASSURANCE SCHEME
- DEFINED BENEFIT SECTION**

STATEMENT OF INVESTMENT PRINCIPLES

SEPTEMBER 2019

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1 INTRODUCTION

This Statement of Investment Principles ("the Statement") has been prepared by the Trustees of the Henry Butcher and Co Pension Fund and Life Assurance Scheme ("the Scheme") in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Scheme and the activities undertaken by the Trustees to ensure the effective implementation of these principles.

In preparing the Statement, the Trustees have:

- obtained and considered written advice from a suitably qualified individual, employed by their investment consultants, Mercer, a trading name of JLT Benefit Solutions Limited, ("JLT"), whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustees' investment policy for the Scheme.

The Trustees will review the Statement formally at least every three years to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. Furthermore, the Trustees will review the Statement without delay after any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

2 INVESTMENT OBJECTIVES

The Trustees' primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme.

The Trustees have also received confirmation from the Scheme Actuary that their investment objectives and the resultant investment strategy are consistent with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

3 INVESTMENT RESPONSIBILITIES

3.1. TRUSTEES' DUTIES AND RESPONSIBILITIES

The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives. They carry out their duties and fulfil their responsibilities as a single body.

The duties and responsibilities of the Trustees include, but are not limited to, the following tasks and activities:

- The regular approval of the content of the Statement
- The appointment and review of the Investment Manager and investment adviser
- The assessment and review of the performance of each investment manager
- The setting and review of the investment parameters within which the investment managers can operate
- The assessment of the risks assumed by the Scheme at total scheme level and manager by manager
- The approval and review of the asset allocation benchmark for the Scheme
- The compliance of the investment arrangements with the principles set out in the Statement

3.2. INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustees have appointed Mercer as the independent investment adviser to the Scheme. Mercer provides advice as and when the Trustees require it, as well as raising any investment-related issues, of which it believes the Trustees should be aware. Matters on which Mercer expects to provide advice to the Trustees include the following:

- Setting of investment objectives
- Determining investment strategy and asset allocation
- Determining an appropriate investment structure
- Determining funds and investment managers that are suitable to meet the Trustees' objectives
- Setting cashflow management (investment and withdrawal) policies (see Appendix 2)

The Trustees may seek advice from Mercer with regard to both strategic and tactical investment decisions (see Section 4 - Investment Strategy); however, they recognise that they retain responsibility for all such decisions, including those that concern investments and disinvestments relating to cashflows (see Appendix 2). Mercer may be proactive in advising the Trustees regarding tactical investment decisions; however, there is no responsibility placed on Mercer to be proactive in all circumstances.

The Trustees monitor the performance of the Scheme's investment managers against their benchmarks.

Section 3.3 describes the responsibilities of the Scheme's investment managers.

JLT charges a fixed annual fee. This charge covers the services of Mercer as specified within the Customer Services Agreement.

Any additional services provided by Mercer will be remunerated primarily on a time-cost basis.

In particular, JLT does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of their advice.

The Trustees are satisfied that this is the most appropriate adviser remuneration structure for the Scheme.

JLT is authorised and regulated by the Financial Conduct Authority ("FCA").

3.3. INVESTMENT MANAGERS' DUTIES AND RESPONSIBILITIES

The Trustees, after considering appropriate investment advice, have appointed the Scheme's investment managers.

The details of investment managers initially appointed by the Trustees are set out in Appendix 3, together with the details of each manager's mandate.

In particular, the underlying investment managers are responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage.

In the case of multi-asset mandates, the underlying investment managers are responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

All of the investment managers that will be appointed by the Trustees will be authorised and regulated by the Prudential Regulation Authority ("PRA"), the FCA or both.

The investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Scheme.

The Trustees believe that this is the most appropriate basis for remunerating managers.

3.4. SCHEME ACTUARY'S DUTIES AND RESPONSIBILITIES

The Scheme Actuary's responsibilities include the following:

- Liaising with the Investment Adviser regarding the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme
- Assessing the funding position of the Scheme and advising on the appropriate response to any shortfall
- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels

3.5. ADMINISTRATOR'S DUTIES AND RESPONSIBILITIES

The Administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due
- Paying benefits and making transfer payments
- Investing contributions not required to meet benefit payments with the Investment Manager according to the Trustees' instructions

4 INVESTMENT STRATEGY

4.1. SETTING INVESTMENT STRATEGY

The Trustees have determined their investment strategy after considering the Scheme's liability profile and requirements of the Statutory Funding Objective, their own appetite for risk, the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant. The Trustees have also received written advice from their Investment Adviser.

The basis of the Trustees' strategy is to divide the Scheme's assets between a "growth" portfolio, comprising assets such as equities and multi-asset / diversified growth, and a "stabilising" portfolio, comprising assets such as corporate bonds. The basis of the split between these two portfolios is such that the overall level of expected return is consistent with the assumptions utilised by the Scheme Actuary.

The Trustees have established a benchmark allocation to each asset class within the strategic asset allocation, which is set out in Appendix 1.

The Trustees recognise the benefits of diversification across growth asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. Where they consider it advisable to do so, the Trustees have appointed investment managers to select and manage the allocations across growth asset classes, in particular where it would not be practical (or appropriate) for the Trustees to commit the resources necessary to make these decisions themselves.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustees have decided on a structured approach to rebalance the assets in accordance with their overall strategy. This approach is set out in Appendix 2.

4.2. INVESTMENT DECISIONS

The Trustees distinguish between three types of investment decision: strategic, tactical and stock-level.

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Scheme.

The Trustees take all such decisions themselves. They do so after receiving written advice from their investment adviser and consulting with the Sponsoring Employer. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the growth and the stabilising portfolios
- Determining the allocation to asset classes within the growth and stabilising portfolios
- Determining the Scheme benchmark
- Reviewing the investment objectives and strategic asset allocation

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

These decisions are the responsibility of the Trustees. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the fund.

Stock Selection Decisions

All such decisions are the responsibility of the investment managers of the pooled funds in which the Scheme is invested.

4.3. TYPES OF INVESTMENTS TO BE HELD

The Trustees are permitted to invest across a wide range of asset classes, including, but not limited to, the following:

- UK and overseas equities
- UK and overseas government bonds, fixed and inflation-linked
- UK and overseas corporate bonds
- Convertible bonds
- Illiquid assets, such as property and infrastructure
- Commodities
- Hedge Funds
- Private equity
- High yield bonds
- Emerging market debt
- Diversified growth
- Liability driven investment products
- Cash

All the funds in which the Scheme invests are pooled and unitised. The use of derivatives is permitted by the guidelines that apply to the pooled funds. Details relating to the pooled funds can be found in Appendix 3.

4.4. FINANCIALLY MATERIAL CONSIDERATIONS

The Trustees understand that they must consider all factors that have the potential to impact upon the financial performance of the Scheme's investments over the appropriate time horizon. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Trustees recognise that ESG factors, such as climate change, can influence the investment performance of the Scheme's assets and it is therefore in the best interests of both members' and the Scheme's that these factors are fully considered within the investment process.

As noted earlier, the Scheme's assets are invested in pooled funds. The Trustees accept the fact that they have very limited ability to directly influence the ESG policies and practices of the companies in which their managers invest and instead expect that their managers will consider such risks fully when taking the decision to invest or divest in an individual stock or company.

Accordingly, the Trustees have reviewed the ESG policies of their investment managers and have noted that they consider ESG risks within their respective investment due diligence processes and take the view that proper management of such risks can lead to better long term outcomes for all stakeholders. The Trustees are comfortable that this approach is appropriate for the Scheme and will therefore rely upon the policies and judgement of their investment managers.

The Trustees will take ESG considerations into account for all future decisions in relation to the selection, retention and realisation of investments.

4.5. NON-FINANCIAL CONSIDERATIONS

The Trustees only consider factors that they expect to have a financial impact on the Scheme's investments. Non-financial considerations, such as ethical views, are not implemented within the current investment strategy.

4.6. CORPORATE GOVERNANCE AND VOTING POLICY

As noted, the Scheme does not hold investments directly but instead invests via pooled funds. Accordingly, the Scheme does not have direct voting rights for the underlying companies in which the pooled fund invests. The responsibility for exercising these voting rights rests with the respective investments managers of the pooled funds utilised. Given the size of the Scheme and governance which would be required in order to vote directly on all such matters, the Trustees believe that this arrangement is appropriate.

At present, the Scheme invests all of its assets with Legal & General Investment Management (LGIM). LGIM have provided a copy of its corporate governance policies to the Trustees which take into account the financial interests of the shareholders of the pooled fund and thus should be for the Scheme's benefit.

Where the Trustees are specifically invited to vote on a matter relating to corporate policy, the Trustees will exercise their right in accordance with what they believe to be the best interests of the majority of the Scheme's membership.

4.7. STEWARDSHIP

Mercer will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment managers on behalf of the Trustees. If the Trustees have any concerns, they will raise them with Mercer, verbally or in writing.

5 RISK

The Trustees are aware, and seek to take account of a number of risks in relation to the Scheme's investments, including the following. Under the Pensions Act 2004, the Trustees are required to state their policy regarding the ways in which risks are to be measured and managed. These are set out below.

Credit

- This is the risk that is associated with the inability of a borrower to repay, in full or part the monies which it owes to a creditor.
- The Trustees acknowledge that the assessment of credit risk on individual debt instruments is delegated to the investment manager. The Trustees will however ensure that they are comfortable with the amount of risk that the Scheme's investment manager takes.

Currency

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the Scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.
- The Trustees acknowledge that currency risk related to overseas investments is delegated to, and hedged where deemed appropriate, by the underlying investment managers.

ESG

Environmental

- This risk that improper, or inadequate, consideration of environmental factors could lead to adverse investment performance and / or reputational damage to the Scheme.
- The day to day management of environmental risk is the responsibility of the companies in which the Scheme's underlying managers have invested. Given the Trustees is invested in pooled funds the Trustees will rely on the underlying investment managers to ensure that these companies have sufficient procedures and processes in place in order to mitigate this risk as far as is reasonably possible.

Social

- This is the risk that social factors are not properly considered within the investment decision making process. Social risks can arise both within and external to a company, e.g. internal factors could include workplace health & safety whilst external factors may include a company's impact on the area surrounding their place of business.
- The day to day management of social risk is also the responsibility of the companies in which the Scheme's underlying managers invest. It is the responsibility of the underlying investment managers to ensure that these companies have sufficient procedures and processes in place in order to mitigate these risks as far as is reasonably possible.

Corporate Governance

- This is assessed by reviewing the Scheme's investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are provided to the Trustees from time to time and take into account the financial interests of the shareholders, which should ultimately be to the Scheme's advantage.

Inflation

- This is the risk that an investment's value will change due to a change in the level of expected inflation. This affects debt instruments more directly than growth instruments.
- The Trustees acknowledges that the inflation risk related to individual debt instruments, are managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management.
- The Trustees recognises that the Scheme's liabilities are exposed to a significant level of inflation risk and for this reason it is desirable for the Scheme's assets to be exposed to a similar level of interest rate risk.

Interest Rate

- This is the risk that an investment's value will change due to a change in the level of interest rates. This affects debt instruments more directly than growth instruments.
- The Trustees acknowledges that the interest rate risk related to individual debt instruments, are managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management.
- The Trustees recognises that the Scheme's liabilities are exposed to a significant level of interest rate risk and for this reason it is desirable for the Scheme's assets to be exposed to a similar level of interest rate risk.

Legislative

- This is the risk that legislative changes will require action from the Trustees so as to comply with any such changes in legislation.
- The Trustees acknowledge that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Liquidity

- This is monitored according to the level of cashflows required by the Scheme over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Scheme's assets are invested in pooled funds which are readily realisable.

Manager Risk

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process, and by appointing JLT IM to monitor and replace any managers where concerns exist over their continued ability to deliver the investment mandate.

Other Price

- This is the risk that principally arises in relation to the return seeking portfolio, which invests in equities, equities in pooled funds, equity futures, hedge funds, private equity and property.
- The Trustees acknowledges that a scheme can manage its exposure to price risk by investing in a diverse portfolio across various markets.

Political

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through investing in funds which give a wide degree of diversification.

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- These are managed by setting a scheme-specific strategic asset allocation with an appropriate level of risk.

Sponsor risk

- This is assessed as the level of ability and degree of willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit.
- It is managed by assessing the interaction between the Scheme and the sponsor's business, as measured by a number of factors, including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor. Regular updates on employer covenant are provided to the Trustees by senior staff of the sponsor.

6 MONITORING OF INVESTMENT ADVISER AND MANAGERS

6.1. INVESTMENT ADVISER

The Trustees continually assess and review the performance of their adviser in a qualitative way.

6.2. INVESTMENT MANAGERS

The Trustees receive quarterly updates on the performance of the underlying investment managers from Mercer.

The reporting reviews the performance of the Scheme's individual funds against their respective benchmarks.

7 CODE OF BEST PRACTICE

The Trustees note that in March 2017, the Pensions Regulator released 'Investment Guidance for Defined Benefit Pension Schemes'.

The Trustees have received training in relation to this guidance and is satisfied that the investment approach adopted by the Scheme is consistent with the guidance so far as it is appropriate to the Scheme's circumstances.


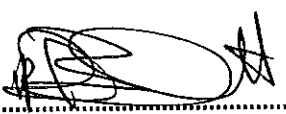
The Trustees meet with their investment adviser on a regular basis, monitoring developments both in relation to the Scheme's circumstances and in relation to evolving guidance, and will revise the Scheme's investment approach if considered appropriate.

8 COMPLIANCE

The Scheme's Statement of Investment Principles and annual report and accounts are available to members on request.

A copy of the Scheme's current Statement plus Appendices is also supplied to the Sponsoring Employer, the Scheme's investment managers, the Scheme's auditors and the Scheme Actuary.

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Trustees on25/09/2019.....

Signed on behalf of the Trustees by		
On	<u>26/09/2019</u>	<u>26/09/2019</u>
Full Name	<u>TERRY EDMONDSON</u>	<u>RICHARD BARTON-KNOTT</u>
Position	<u>CHAIR OF TRUSTEES</u>	<u>TRUSTEE</u>

APPENDIX 1: ASSET ALLOCATION BENCHMARK

The Scheme's initial strategic asset allocation benchmark is set out below.

Asset Class	Strategic Allocation	Control Range
Growth Assets	45.0%	40% - 50%
Equities	20.0%	15% - 25%
Multi-Asset	25.0%	20% - 30%
Stabling Assets	55.0%	50% - 60%
Corporate Bonds	55.0%	50% - 60%
Total	100%	

The policy for rebalancing and investment / disinvestment of cashflows is set out in Appendix 2.

Appendix 3 provides information about the funds in which the assets are invested.

APPENDIX 2: CASHFLOW AND REBALANCING POLICY

Where possible, cash outflows will be met from cash balances held by the Scheme and from income from the Scheme's investments in order to minimise transaction costs.

Investments or disinvestments will be considered on a case-by-case basis.

The Trustees will review the cashflow policy from time to time to ensure that it remains appropriate taking into account changes in the Scheme's cashflow requirements.

For avoidance of doubt, this Statement will not be revised purely in relation to a change in cashflow policy.

APPENDIX 3: INVESTMENT MANAGER INFORMATION

The tables below show the details of the mandate(s) with each manager.

GROWTH ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency	IFRS Class
Equities				
LGIM Global Equity (70:30) Index	70% FTSE All-Share Index 30% FTSE All-World (ex UK) Index	To provide diversified exposure to the UK and overseas equity markets. A 70/30 distribution between UK and overseas assets is maintained with the overseas allocation mirroring that of the FTSE All-World (ex UK) Index series. This includes developed and emerging markets.	Weekly	2
Multi-Asset				
LGIM Diversified	FTSE Developed World Index – 50% GBP Hedged	To provide long-term investment growth through exposure to a diversified range of asset classes.	Weekly	2

STABILISING ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency	IFRS Class
Corporate Bonds				
LGIM AAA-AA Fixed Interest Over 15 Year Targeted Duration	N/A	To produce a total return in line with the performance of a subset of the FTSE Actuaries UK Conventional Gilts Over 15 Years Index, this being the gilts with maturities of 15 to 35 years and capture the yield spread over gilts of AAA-AA rated fixed interest securities.	Weekly	2

For avoidance of doubt, this SIP will not be updated solely in response to a replacement of one of the investment managers.