THE HENRY BUTCHER & CO PENSION FUND AND LIFE ASSURANCE SCHEME (DEFINED CONTRIBUTION)

STATEMENT OF INVESTMENT PRINCIPLES

SEPTEMBER 2020

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1 INTRODUCTION

This Statement of Investment Principles ("the Statement") has been prepared by the Trustee of The Henry Butcher & 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 advisers, Mercer Limited ("Mercer"), 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 ensure its ongoing suitability. 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' main objective is to provide members with an investment strategy aligned to the needs of their members that will optimise the return on investments in order to build up a savings pot which will be used in retirement.

The Trustees are mindful of their responsibility to provide members with an appropriate range of investment funds and a suitable default strategy.

Details of the approach the Trustees have taken to meet these investment objectives are set out in Section 4.

The Trustees have determined their investment policy in such a way as to address the risks set out in Section 6 of this Statement.

The Trustees will review the investment approach on at least a triennial basis, and make changes as and when it is considered to be appropriate.

The items set out in Section 2, 4 and 6 of this Statement are in relation to what the Trustees deem as 'financially material considerations' both for the default strategy and the range of self-select funds. The Trustees believe the appropriate time horizon for which to assess these considerations within should be viewed at a member level. This will be dependent on the members' age and when they expect to retire.

The Trustees also manage a portion of assets that are not allocated to members. Further information is set out in Appendix 2.

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. The Trustees carry out their duties and fulfil their responsibilities as a single body. The trustee body is not so large as to be unwieldy in its operations. Sub-committees may be formed from time to time to examine specific issues. The duties and responsibilities of the Trustees include, but not limited to, the following tasks and activities:

- Setting of investment objectives and formulating investment strategy
- The regular approval of the content of the Statement.
- The appointment and review of the investment manager and investment adviser
- Selecting funds for member choices
- The compliance of the investment arrangements with the principles set out in this Statement.

3.2 INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustees have appointed Mercer as the 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 or assistance to the Trustees include the following:

- Setting of investment objectives
- Determining investment strategy and structure of the default strategy
- Advising on appropriate member fund choices
- Selecting and replacing investment managers

In considering appropriate investments for the Scheme, the Trustees will obtain and consider written advice from Mercer, whom the Trustees believe to be suitability 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.

Mercer will advise the Trustees of any significant developments of which it is aware relating to the investment managers, or funds managed by the investment managers in which the Scheme is invested, such that in its view there exists a significant concern that any of these funds will not be able to meet their long-term objectives. If the investment manager and fund are not covered by Mercer's manager research process, Mercer will advise the Trustees accordingly.

Mercer is remunerated on a time-cost basis for the investment advice it provides and does not receive any commission in relation to the Scheme. The Trustees are satisfied that the investment arrangements, including the charging structure, are clear and transparent and the most appropriate structure for the Scheme.

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

3.3 INVESTMENT MANAGERS' DUTIES AND RESPONSIBILITIES

Duration of the Arrangements

The Trustees are long-term investors and do not look to change the investment arrangements on a frequent basis. All the funds are open-ended with no set end date for the arrangement. The fund range and default investment strategy are reviewed on at least a triennial basis. A manager's appointment may be terminated if it is no longer considered to be optimal nor have a place in the default investment strategy or general fund range.

The Trustees, after considering appropriate investment advice, have appointed professional, authorised investment managers to manage the assets of the Scheme.

Details of each manager's mandate and annual management charges applied by the investment managers are set out in Appendix 1.

Alignment with the Trustees Policies

When engaging with investment managers to implement the Trustee's investment strategy outlined in Section 4, the Trustees are concerned that, as appropriate and to the extent applicable, the investment managers are incentivised to align their strategy and decisions with their objectives.

However, as the Scheme are only invested in multi-client pooled funds, the Trustees accept that they do not have the ability to determine the risk profile and return targets of specific Funds. The Trustees are able to make investment manager appointments in such a manner that the assets are managed consistent with the investment strategy. The investment managers are incentivised by the knowledge that the Trustees will review their appointment if, over time, they do not meet expectations.

Investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class in which they invest.

The Trustees consider its Investment Adviser's forward-looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on an assessment of the manager's idea generation, portfolio construction, implementation and business management in relation to the particular investment fund that the Scheme invests in.

The Trustees consider how ESG and stewardship are integrated into the investment process as well as ensuring fees are competitive within the asset class. The Trustees also consider the Investment Adviser's manager research ratings when taking decisions on selection and retention of manager appointments.

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

The investment managers are responsible for all decisions concerning the selection and de-selection of the individual stocks within the portfolios they manage.

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

All of the investment managers engaged by the Trustees are authorised and regulated by either the FCA, the Prudential Regulation Authority ("PRA"), or both.

Evaluation and Remuneration

The Trustees receive investment performance reports on a bi-annual basis. The Trustees reviews the performance against a suitable index used as the benchmark (where appropriate), and/or against the managers' stated performance target over the relevant period.

The Trustees maintain a focus on long-term performance. It may review a manager's appointment if the manager has extended periods of underperformance, there is a material change in personnel or there are developments that may severely impact the outcome of the investment.

The investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Scheme. These charges are set out in Appendix 1. The Trustees accept that it cannot influence the charging structure of the pooled funds in which the Scheme is invested, but is satisfied that the ad-valorem charges for the different underlying funds are clear and are consistent with each fund's stated characteristics. None of the underlying managers in which the Scheme's assets are invested have performance based fees which could encourage the manager to make short-term investment decisions to hit their profit targets.

The Trustees consider that the method of remunerating fund managers is consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, it will in turn encourage the investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

3.4 PLATFORM PROVIDER DUTIES AND RESPONSIBILITIES

The current platform provider is Prudential Global Investment Management ("Prudential").

Prudential also manage the underlying pooled funds, however the funds utilised by the Scheme have been chosen by the Trustees.

Each of the underlying pooled funds have appointed a custodian, following appropriate due diligence. These custodian(s) are responsible for the safe custody of the Scheme's assets.

The Prudential platform provides members access to a varied choice of investment options.

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

- General administration of the Scheme
- Investing member contributions
- Disinvesting units to meet member benefit payments
- Managing the Lifestyle Investment Programmes and default strategies for each section

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY

The Trustees have adopted a default strategy for the Scheme and the details of the funds used within the strategy are set out in Appendix 1.

The Trustees have made available a default option available to members who do not wish to make their own selection of funds. This has been designed to be appropriate for a typical member.

Further information is set out below.

4.2 DEFAULT STRATEGY

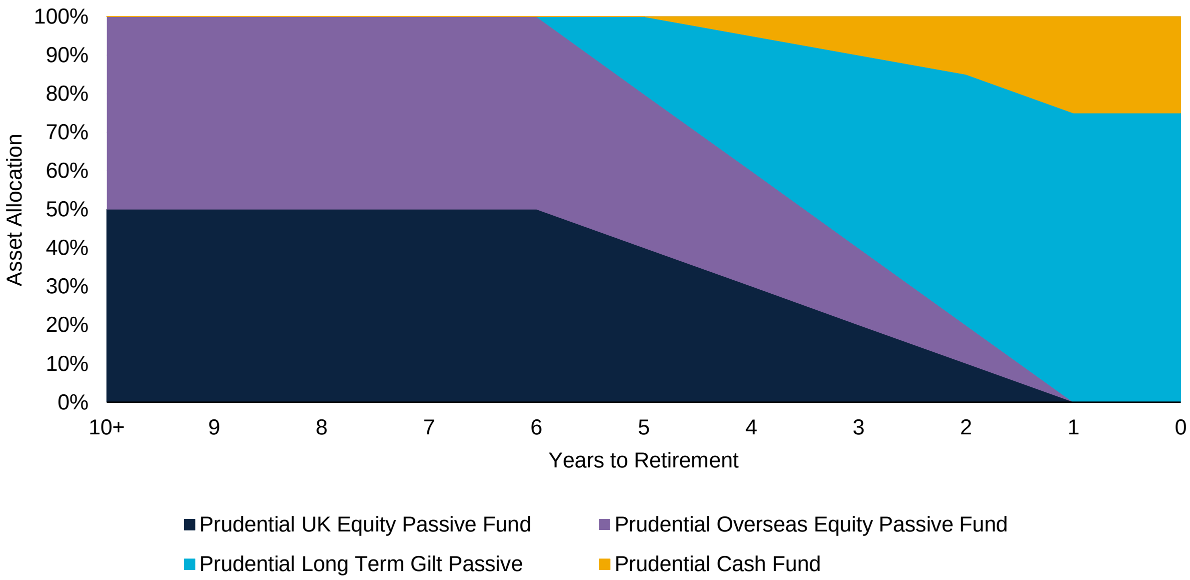
The Trustees' objective for the default strategy is to optimise the return on investments at an acceptable level of risk in order to build up a savings pot which will be used in retirement.

The Trustees have assumed responsibility for setting an investment strategy that provides a broad level of protection against the key risks identified in Section 6.

The Trustees have explicitly considered the trade-off between risk and expected returns. The expected amount of risk is considered appropriate for the typical member.

The default strategy invests in the Prudential UK Equity Passive Fund and the Prudential Overseas Equity Passive Fund at a ratio of 50:50 up until a member is 6 years from retirement. These equity funds expose members' savings to a high level of potential growth at a time when they can afford to take on more risk. Once members are 6 years from retirement, their assets are gradually moved out of these equity funds and into the Prudential Long Term Gilt Passive Fund and the Prudential Cash Fund, so that at retirement there is a 75:25 split between these two funds. This strategy is tailored towards members who will withdraw their 25% tax-free lump sum and purchase an annuity with the remainder of their savings.

This strategy can be illustrated using the following chart:



Taking into account the demographics of the Scheme's membership and the Trustees' views of how the membership will behave at retirement, the Trustees believe that the current default is appropriate. The Trustees will continue to review this over time, at least triennially, or after any significant changes to the Scheme's demographic, if sooner.

4.3 FUND CHOICES

Members can opt out of the default option and can choose to invest in self-select funds instead. The range of investment options allows members to achieve adequate diversification, and provides appropriate strategic choices for members' different savings objectives, risk profiles and time horizons.

Further information on these funds can be found in Appendix 1.

When self-selecting, the balance between funds and asset classes is the member's decision. This balance will determine the expected return on a member's assets and should be related to the member's own risk appetite and tolerance.

The Trustees will continue to keep the fund range under review, and will make changes if appropriate.

4.4 TYPES OF INVESTMENTS TO BE HELD

The Trustees are permitted to invest across a wide range of asset classes. The funds utilised are a mix of passively and actively managed funds across a variety of asset classes such as property, equity, bond and cash. All of the funds in which the Scheme invests are pooled and unitised. Details of each fund can be found in Appendix 1.

4.5 ADDITIONAL VOLUNTARY CONTRIBUTIONS

The Trustees also make available a facility to members to pay in additional contributions to boost Defined Benefit section benefits. The AVC arrangements are reviewed at the same time as the review of the main Scheme benefits. The facility is provided via Royal London (formerly Scottish Life) and has been closed to new contributions since March 2009.

4.6 REALISATION OF INVESTMENTS

All funds currently utilised by Scheme are daily dealing funds and accordingly are readily realisable to members under normal market conditions. However, during periods of extreme markets stress, there is the potential that the underlying manager may not be able to realise monies in a timely manner that redemptions could potentially be delayed.

5 RESPONSIBLE INVESTING

5.1 FINANCIALLY MATERIAL CONSIDERATIONS

The Trustees recognise that Environmental, Social and Governance (ESG) factors, including climate change, can all influence the investment performance of the Scheme's portfolio and it is therefore in members' and the Scheme's best interests that these factors are taken into account within the investment process and that ESG risks are identified and avoided or mitigated as best as possible.

The Trustees believe that investing with a manager who approaches investments in a responsible way and takes account of ESG-related risks will lead to better risk adjusted performance results as omitting these risks in investment analysis could skew the results and underestimate the level of overall risk being taken.

Therefore, the Trustees have begun working with the Investment Adviser to help select the investment managers that have passed the initial ESG screening. ESG screening will involve some of the following activities, but is not limited to: ensuring the managers are signatories to UNPRI, reviewing the managers' own ESG policies, investigating the extent to which these policies are integrated into their standard procedures of investment research and analysis etc. The Trustees will also continuously review the ESG ratings assigned by Mercer to each of the funds used within the Scheme.

The Trustees will continue to review the available products and approaches in this space and strive for the Scheme to continue to deliver strong risk-adjusted returns, incorporating responsible investments principles into the process, where possible.

5.2 NON-FINANCIAL CONSIDERATIONS

The Trustees do not explicitly take into account non-financial matters in the selection, retention and realisation of investments.

5.3 STEWARDSHIP POLICY

The Scheme could currently be regarded as a small scheme by the size of assets; hence, bespoke segregated mandates are not currently available to the Trustees. Therefore, the Scheme's stewardship approach focuses on selection, monitoring and, where necessary, switching of underlying investment managers. The Trustees believe that choosing the right managers who fully engage with issuers of equity or debt instruments in their portfolios will lead to better financial results for members.

The Trustees are supportive of the UK Stewardship Code published by the Financial Reporting Council and encourage the Scheme's underlying managers who are regulated by the Financial Conduct Authority to comply with the UK Stewardship Code. Such managers are expected to report on their adherence to the Code on an annual basis. For managers that choose not to comply with any of the principles in the UK Stewardship Code, or not to follow the guidance at all, the Trustees will request a clear rationale from the managers on their alternative approach to stewardship.

As the Scheme invests in pooled funds, the Trustees' scope to vote on the Scheme's shares directly is currently limited. The Trustees have therefore concluded that the decision on how to exercise voting rights should be left with the underlying investment managers who will exercise these rights in accordance with their respective published corporate governance policies. These policies take into account the financial interests of shareholders, and should be for the members' benefit.

The Trustees will request annual reports on the voting undertaken by the Scheme's underlying investment managers during the period and review the voting to ensure it remains broadly consistent with the Trustees' view of good stewardship standards.

5.4 MEMBER VIEWS

Member views have not explicitly been taken into account in the selection, retention and realisation of investments, although feedback received from members is welcomed and considered by the Trustees. Nevertheless, the Trustees believe that they have a good understanding of membership demographics, behaviours and preferences and strive to provide a fund range that meets both financial and non-financially relevant member needs.

Going forward, the Trustees will include a note within the members annual benefit statements informing members of their ability to contact the Trustees with regards to any non-financial considerations, e.g. ethical or religious beliefs, which they wish to be considered.

The Trustees will consider each suggestion, based upon its own merits, for potential future inclusion within either default strategy or self select options.

6 RISK

The Trustees are aware, and seek to take account, of a number of risks in relation to the Scheme's investments, including those set out below. 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.

The Trustees recognise that in a defined contribution arrangement, members assume the investment risks themselves. The Trustees further recognise that members are exposed to different types of risk at different stages of their working lifetimes. Broadly speaking, five main types of investment risk can be identified, as noted below:

Type of Risk	Risk	Description	How is the risk monitored and managed?
Market Risk	Inflation Risk	The risk that a member's investments will not grow quickly enough to sufficiently outpace inflation (the cost of living).	The Trustees make available a range of funds across various asset classes, with the majority expected to keep pace with inflation. Members are able to set their own investment allocations, in line with their risk tolerances. The default strategy is designed with the intention of diversifying these risks to reach a level of risk deemed appropriate given the objectives. This is set with the advice from the investment adviser.
	Currency Risk	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.	
	Credit Risk	This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.	
	Interest Rate Risk	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.	
	Other Price Risk	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.	
Environmental and social and governance ("ESG") risks		This is the risk that ESG concerns, including climate change, have a	Where applicable these factors will be considered in the investment process

	financially material impact on the return of the Scheme's assets. These risk factors can have a significant effect on the long-term performance of the assets the Scheme holds.	but is considered the responsibility of the investment manager. Please see Section 5 for the Trustees' responsible investment statement.
Pension Conversion Risk	This is the risk where assets are invested to target a specific retirement objective which differs from how members are expected to use their pots at retirement.	The default strategy is designed to be in line with the pension freedoms by being appropriate for flexible retirement outcomes.
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 through the quarterly performance updates provided by Mercer.
Liquidity risk	The risk that the Scheme's assets cannot be realised at short notice in line with member or Trustees' demand.	As far as is practicable and necessary, the Trustees invest in liquid assets that can be quickly realised as required. It is managed by investing only in readily realisable pooled funds that can be bought and sold on a regular basis.

7 MONITORING OF INVESTMENT ADVISER AND MANAGERS

7.1 INVESTMENT ADVISER

The Trustees continually assess and review the performance of their advisers in a qualitative way. In doing so, the Trustees will consider the objectives it set for its investment adviser in the document entitled “Strategic Objectives for Investment Consultancy Services” which was signed and formally adopted by the Trustees in November 2019

7.2 INVESTMENT MANAGERS

The Trustees receive performance of the underlying investment managers from Mercer on a bi-annual basis, which presents performance information over 3 month, 1 year and 3 year periods. This shows the absolute performance and performance against the manager’s stated target performance (over the relevant time period) on a net of fees basis.

The Trustees focus on long-term performance but may review a manager’s appointment if:

– There are sustained periods of underperformance;

– There is a change in the portfolio manager;

– There is a change in the underlying objectives of the investment manager;

– There is a significant change to the Investment Adviser’s rating of the manager.

The Trustees recognise that the active managers’ performance relative to their benchmarks may be volatile and that they will not always achieve their target. Nonetheless, the managers should demonstrate that the skill exercised in managing the portfolios is consistent with the target given the levels of risks adopted.

The Trustees may meet with the investment managers if they are dissatisfied with their performance or engagement activity, and may choose to terminate the relationship with the manager if they see fit.

Manager fees are calculated as a percentage of assets under management. If managers fail to meet their performance objectives, the Trustees may ask managers to review their fee. As part of the annual value for members assessment, the Trustees review the investment manager fees.

7.3 PORTFOLIO TURNOVER COSTS

The Trustees consider portfolio turnover costs as part of the annual value for members assessment and asks investment managers to include portfolio turnover costs in their presentations and reports to the Trustees.

The Trustees are also aware of the requirement to define and monitor targeted portfolio turnover and turnover range.

Given that the Scheme invests in a range of pooled funds, many of which invest across a wide range of asset classes, the Trustees do not have an overall portfolio turnover target for the Scheme.

8 CODE OF BEST PRACTICE

The Pensions Regulator has published a new code on standards for DC schemes and this came into effect in November 2013 as part of a wider initiative to get DC right. This was updated further on 28 July 2016 and this revised version is shorter and simpler than its predecessor and has been updated to include the DC flexibilities and governance legislation introduced from April 2015.

The Code of Practice 13 on the governance and administration of occupational DC trust based schemes places bigger than ever emphasis on good quality investment arrangements and stricter requirements for reviewing these on the Trustees. Particular attention has to be paid to the design of default strategies and on-going monitoring of their continuing suitability for scheme membership. The Code can be found here:

https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-13-governance-and-administration-of-occupational-trust-based-schemes-providing-money-purchase

When formulating their investment policy, the Trustees have acted in line with the Code of Practice 13.

9 COMPLIANCE

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

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

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

Signed on behalf of the Trustees by	....	....
On	....	....
Full Name	....	....
Position	....	....

APPENDIX 1: INVESTMENT MANAGER INFORMATION AND DEFAULT STRATEGY

The Trustees will monitor the suitability of the funds used on an ongoing basis and make changes, as they consider appropriate. The table below shows the details of the current mandates with each manager:

Manager / Fund	Management Style	Monitoring Benchmark	Fees* % p.a.	Target
Default				
Prudential UK Equity Fund	Passive, pooled	FTSE All-Share Index	0.55	To match the performance of the benchmark as closely as possible.
Prudential Overseas Equity Passive Fund	Passive, pooled	Mix of FTSE and MSCI Regional Indices	0.55	To match the performance of the benchmark as closely as possible.
Prudential Long Term Gilt Passive	Passive, pooled	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	0.55	To track the benchmark.
Prudential Cash Fund	Active, pooled	LIBID 7 Day	0.65	To outperform the benchmark before charges on a rolling three year basis.
Self-Select				
Prudential All Stocks Corporate Bond	Active, pooled	iBoxx Sterling Non-Gilts Index	0.65	To outperform the benchmark by 0.80% a year (before charges) on a rolling three year basis.
Prudential Discretionary Fund	Active, pooled	Internal composite benchmark	0.65	To outperform the internal composite benchmark by 1.15%-1.40% a year (before charges) on a rolling three year basis.
Prudential Ethical	Passive, pooled	FTSE4Good UK Equity Index	0.66	To outperform the benchmark by 1.0% a year (before charges) on a rolling three year basis.
Prudential International Equity	Active, pooled	Internal composite benchmark	0.67	To outperform the internal composite benchmark by 1.00% a year (before charges) on a rolling three year basis.
Prudential M&G UK Equity Pension Fund	Active, pooled	FTSE All-Share Index	0.66	To outperform the benchmark by 0.75% - 1.0% per annum, gross of fees, on a rolling three-year basis.
Prudential UK Property	Active, pooled	All Balanced Property Fund component of the AREF / IPD UK Quarterly Property Fund Index	1.22	To outperform the benchmark by 1.05% per year (gross of annual management charges) over rolling 3-year periods

** Total Expense Ratio*

Realisation of Investments

The funds are daily-dealt pooled investment arrangements, with assets mainly invested in regulated markets, and therefore should be realisable at short notice, based on either Trustee or member demand. As far as is practicable and necessary, the Trustees invest in liquid assets that can be quickly realised as required. The selection, retention and realisation of investments within the pooled arrangements are the responsibility of the relevant investment manager.