Brown Butlin Group Limited Retirement Benefits Scheme

Statement of Investment Principles

23 January 2024

1 Introduction

This Statement sets out the principles governing decisions relating to the investment of the assets of the Brown Butlin Group Limited Retirement Benefits Scheme (the Scheme).

The Scheme is a defined benefit arrangement set up under trust and registered with HM Revenue and Customs (HMRC). The Scheme is subject to the Statutory Funding Objective (SFO) introduced by the Pensions Act 2004, i.e., that it should have sufficient and appropriate assets to cover its Technical Provisions, as calculated in accordance with the Trustee's Statement of Funding Principles. However, given the fact that the Trustee has secured the Scheme's liabilities with an insurer, the Trustee has agreed that the funding position measured relative to the cost of the bulk annuity contract is the assessment of scheme funding that is of most importance to the Trustee and members.

This Statement has been prepared in line with the following legislation and regulations:

- Section 35 of the Pensions Act 1995
- Section 244 of the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005
- The Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018
- The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019

A copy of this Statement will be made available to Scheme members on request to the Trustee or online.

2 Investment Decision Making

The investment of the Scheme's assets is the responsibility of the Trustee. The Trustee's investment powers are set out in Part IV Clause 4 of the Scheme's Third Definitive Deed, dated 26 September 2014, as amended. The powers granted to the Trustee under this Clause are wide and this Statement is consistent with those powers.

The Trustee has obtained and considered professional advice on the content of this Statement from Broadstone Pensions Limited (Broadstone), its appointed investment adviser. Broadstone has confirmed to the Trustee that it has the appropriate knowledge and experience to give the advice required under legislation. Broadstone is remunerated a fee for its advice and its appointment is reviewed from time to time by the Trustee.

The Trustee has also consulted the Principal Employer, H L Hutchinson Limited, when setting its investment objectives and strategy, and in the preparation of this Statement.

Responsibility for maintaining the Statement and determining the Scheme's investment strategy rests solely with the Trustee. The Trustee will obtain such advice as it considers appropriate and necessary whenever it intends to review or revise this Statement.

3 Investment Objectives

In determining its investment objectives and strategy, the Trustee has considered the strength of the Principal Employer's willingness and ability to support the Scheme. It has determined that it is reasonable to take a long-term view in determining its investment objectives and strategy.

The Trustee, Principal Employer and Legal and General Assurance Society ('the Insurer') have adopted a funding and investment approach that focuses on the cost of securing the Scheme's liabilities with an insurer. This approach places very little assumed reliance on the employer covenant. The Trustee is satisfied that the Principal Employer and the Insurer have the resources to enable the liabilities to be secured in the short term, given that the Trustee has secured most of the Scheme's liabilities by purchasing a bulk annuity contract with an insurer. In addition, sufficient resources are expected to be in place to secure the remaining liabilities of the Scheme and meet the majority of the additional expenses to complete the buyout process and wind the Scheme up.

The Trustee's investment objectives are as follows:

- To invest sufficient assets in a bulk annuity contract that backs all the liabilities of the Scheme to enable the Trustee to meet all of the Scheme's benefits as they fall due.

The Trustee will have regard to the Principal Employer's and Insurer's views on the potential costs and risks associated with the investment objectives set and their implementation through the practical strategy.

4 Setting the Investment Strategy

Details of the Scheme's holdings can be split into two elements:

During December 2023, the Scheme entered into a bulk annuity purchase with the Insurer, securing the Scheme's expected benefits of the Scheme members. In exchange for a premium, the Insurer now pays the Scheme's members benefits in the form of annuity payments. The expectation is that, in 12-18months, the insurer will take over meeting the payments to these members directly and the strategy will have completed with a full risk transfer.

The remaining assets following the bulk annuity purchase premium are still invested within the Legal & General Investment Management ('LGIM') Buy-Out Aware Funds. These assets will remain held in these funds to cover any shortfall should the cost of buyout require an additional premium to complete the buy-out. The funds held in January 2024 were as follows:

CYAF LGIM Buyout Aware Fixed Short Fund
CYAG LGIM Buyout Aware Fixed Long Fund
CYAH LGIM Buyout Aware Real Short Fund
CYAJ LGIM Buyout Aware Real Long Fund

The Trustee's policies in setting the investment strategy are set out below:

Policy	
Selection of Investments	The Trustee holds an insurance policy with Legal & General Assurance Society ('the Insurer') which provides income to the Scheme, matching all the future liabilities due from it. The Trustee is holding a working cash balance to allow the Trustee to purchase annuities for the remaining liabilities of the Scheme and for the purpose of meeting the expenses of running the Scheme. The Trustees expect the cost of purchasing the remaining annuities to be covered by the surplus assets held by the Scheme. The risk of the Principal Employer paying additional contributions into the Scheme is low.
Delegation to the Insurer	The Trustee will delegate the day-to-day management of the Scheme's assets to the Insurer and will not be involved in the buying or selling of investments. The Trustee entered into a contract with Legal & General Assurance Society (LGAS) in December 2023. LGAS is regulated by the Prudential Regulation Authority.
Maintaining the Target Asset Allocation	The Scheme holds a bulk annuity contract that provides cashflows expected to match future benefit outgo for all Scheme liabilities. Any residual assets are held as cash in the Trustee's bank account.
Employer Related Investments	The Trustee's policy is not to hold any employer related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005.
Additional Voluntary Contributions (AVCs)	The Scheme holds AVCs separately to the assets backing defined benefits, in funds held with Prudential. The liability in respect of these AVC funds is equal to the value of the investments bought by the contributions.

5 Realisation of Assets

The bulk annuity contract generates cashflows to meet the benefit outgo of the Scheme.

The Trustee also maintains a bank account and aims to maintain a cash balance to cover the Scheme's benefits and may meet Scheme expenses. The cash balance will only meet expenses should the Principal Employer contribute the amount of expense due into the bank account for the Trustee to use the account for this purpose, or if the bank account holds any residual cash once all benefits have been secured with annuities.

6 Expected Returns and Risks

The Trustee's objective, and the expected return of the Scheme's assets, is for the bulk annuity policy held with the Insurer to match any changes in value of the Scheme's liabilities.

The Trustee has considered various risks the Scheme faces, including market risk, interest rate risk, inflation risk, default risk, concentration risk, manager risk and currency risk, and considers that the bulk annuity contract purchased with the Insurer mitigates the majority of these risks, with any residual risks mitigated when the Scheme winds-up.

The risk of concentration has largely been delegated to the Insurer, who will consider the overall mix of assets backing the Scheme's bulk annuity policy.

The Trustee will review wider operational risks as part of maintaining its risk register.

7 Security of Assets

The day-to-day activities that the Insurer carries out for the Trustee are subject to regular internal reviews and external audits by independent auditors to ensure that operating procedures and risk controls remain appropriate.

Safe-keeping of the Scheme's assets held with the Insurer is performed by a custodian appointed by the Insurer.

The Trustee has considered the security of the Scheme's holdings with the Insurer, allowing for its status as a reputable regulated firm, together with solvency capital requirements set by the Prudential Regulation Authority, and considers the associated protection offered to be reasonable and appropriate.

8 Responsible Investment & Stewardship

The Trustee believes that in order to protect and enhance the value of the investments, during the period over which the benefits are paid, they must act as a responsible asset owner.

The Scheme is also comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues. The Trustee therefore does not explicitly seek to reflect any specific views through the implementation of the investment strategy, both financial and non-financial.

The Trustee's policies in respect of responsible investment are set out below:

Policy	
Financially Material Considerations	The Trustee recognises that Environmental, Social and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets. The Trustee delegates responsibility for day-to-day decisions on the selection of investments to the Insurer. The Trustee has an expectation that the Insurer will consider ESG issues in selecting investments or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets. The Trustee has not imposed any specific restrictions on the Insurer with regard to ESG issues as part of its buy-in policy purchased. However, the Trustee reserves the right to request information from the Insurer on its approach to selecting investments and engaging with issuers with reference to ESG issues. With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustee takes the view that this falls within its general approach to ESG issues. The Trustee regards the potential impact of climate change on the Scheme's assets as a longer term risk and likely to be less material in the context of the short term development of the Scheme's funding position than other risks. The Trustee will continue to monitor market developments in this area in conjunction with its investment adviser.
Non-Financially Material Considerations	Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustee believes these should not drive investment decisions. The Trustee expects the Insurer, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment.
Engagement and Voting Rights	The Trustee's voting and engagement policy is to use its investments to improve the Environmental, Social and Governance behaviors of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustee believes that having this policy and aiming to improve how companies behave in the medium and long term will protect and enhance the value of their investments and is in the members' best interests. The engagement policy of the Insurer is conducted through its in-house asset manager, Legal & General Investment Management. Details of the engagement policy can be found at the following website: https://www.lgim.com/uk/en/responsible-investing/investment-stewardship/

Policy	
Capital Structure of Underlying Companies	Responsibility for monitoring the make up and development of the capital structure of investee companies is delegated to the Insurer. The Trustee expects the extent to which the Insurer monitors capital structure to be appropriate to the nature of the mandate.

9 Conflicts of Interest

The Trustee maintains a separate conflicts of interest policy and register, which is reviewed at each Trustee meeting.

Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Insurer, while also setting out a process for their management.

10 Incentivisation of Investment Managers

The Insurer is remunerated through the premium charged on their bulk annuity contract.

The Trustee does not directly incentivise the Insurer to align the approach they adopt for bulk annuity contracts with the Trustee's investment policies and objectives. Instead, the Insurer selects investments so that, in aggregate, the returns produced are expected to meet the Trustee's objectives.

The Trustee does not directly incentivise the Insurer to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issues to improve their performance. The Trustee expects such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the bulk annuity contract used by the Scheme.

11 Portfolio Turnover Costs

The Trustee expects the Insurer to change underlying holdings only to an extent required to meet its investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions.

The Trustee therefore does not set a specific portfolio turnover target.

12 Monitoring

The Trustee will review this Statement at least every three years or if there is a significant change in the Scheme's circumstances or the regulations that govern pension scheme investment.

The Trustee will monitor the success of the Scheme's investment strategy and the Insurer, through the Insurer's ability to meet the Scheme's liability payments.

The Trustee has entered into a bulk annuity contract with the Insurer, with the expectation that this will be held by the Trustee over a short period of time, until the Scheme winds-up. There is no explicit target to review the duration of this bulk annuity contract.

13 Review of Statement

The Trustee will review this Statement if there is a significant change in the Scheme's investment strategy or a significant change in the regulations that govern pension scheme investment.

For and on behalf of Brown Butlin Group Limited Retirement Benefits Scheme

Date: 23 January 2024