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BROWN BUTLIN GROUP LIMITED RETIREMENT BENEFITS SCHEME

Statement of Investment Principles

This Statement of Investment Principles (the "Statement") has been drawn up in accordance with the requirements of the Pensions Act 2004 by the directors of Brown Butlin Group Pension Trust Limited (the "Trustee").

1. Consultations made

As required by the Act, the Trustee has consulted with the employer prior to writing this Statement. The Trustee is responsible for the investment strategy of the Brown Butlin Group Limited Retirement Benefits Scheme (the "Scheme").

Due to the size of the board it was considered unnecessary to appoint an investment sub-committee; investment issues are therefore considered by the trustee board as a whole.

The day-to-day management of the Scheme's assets has been delegated to investment managers regulated and authorised by the Financial Conduct Authority.

2.Scheme objectives

The Trustee's primary objectives are:-

- to achieve, over the long term, a return on the Scheme's assets which is consistent with the assumptions agreed with the Scheme actuary in determining the funding of the Scheme;
- to ensure that sufficient liquid assets are available to meet benefit payments as they fall due; and
- to consider the interests of the employer in relation to the size and volatility of the employer's contribution requirements.

The Trustee's investment strategy has been chosen with the aim of minimising the risk of not achieving these objectives.

The Trustee receives regular monitoring reports on the performance of the investments and regularly reviews the performance against agreed benchmarks. In addition, the fee structure for investment managers and advisers is reviewed. The Trustee has appointed investment advisers, Wentworth Employee Benefit Limited, to provide investment advice. Wentworth Employee Benefits Limited trading as NFP is authorised and regulated by the Financial Conduct Authority.

3.Choosing investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cash flow requirements, the funding level of the Scheme and the Trustee's objectives.

In order to avoid an undue concentration of risk a spread of assets is held. The diversification is both within and across the major asset classes.

4.Risk

The Trustee has identified a number of risks which have the potential to cause a deterioration in the Scheme's funding level and therefore contribute to funding risk. These are as follows:

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors, known as "mis-matching" risk. The Trustee and its advisers consider this mis-matching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities; the Trustee will manage the Scheme's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustee. This manager risk is considered by the Trustee on an ongoing basis and the Trustee conducts regular meetings with the investment managers.
- The failure to spread investment risk.
- The possibility of failure of the Scheme's sponsoring employer. The Trustee considers this risk when setting the investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence. The Trustee has sought to minimise such operational risks by ensuring that all advisers and third party service providers are suitably qualified and experienced.

5.Realisation of investments

The Trustee recognises that there is a risk in holding assets that cannot be easily realised should the need arise. All of the Scheme's investments are held in cash or in pooled funds which are realisable at short notice with the exception of the pooled property fund on which the fund manager can impose a temporary deferment on redemption.

6.Environmental, Social, and Governance ("ESG") considerations

The trustees consider investment risk to include ESG factors and climate change. These risks could negatively impact the Scheme's investments. The trustees consider these risks by taking advice from their investment adviser.

As part of the investment manager's management of the Scheme's assets, the trustees expect the manager:

- Where relevant, to assess the integration of ESG factors in the investment process of the fund managers;
- To use its influence to ensure the Scheme's assets are not exposed to undue risk; and
- To report to the trustees on its ESG activities as required.

7.ESG investment, members' views and non-financial factors

The Trustees consider investment risk to include ESG factors and climate change. These risks could negatively impact the Scheme's investments. The Trustees consider these risks by taking advice from their investment adviser.

The Trustees do not currently have an active policy in place with regard to the extent to which ethical considerations are taken into account in the selection, retention and realisation of investments. These matters are, however, kept under review.

In setting and implementing the Scheme's investment strategy the trustee does not explicitly take into account the views of individual Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"[1]). Scheme members are represented by member-nominated directors.

The Trustees consider investment risk to include ESG factors and climate change. These risks could negatively impact the Scheme's investments which are long-term in nature. The Trustees consider these risks by taking advice from the Scheme's investment adviser.

The Trustees are aware that Legal & General Investment Management (LGIM) recognise that, as long-term stewards, their responsibility is to generate returns for their clients in a sustainable manner that considers material risks and opportunities. They actively engage, where appropriate, both independently and collectively alongside other investors, with companies to influence their behaviour on ESG issues and policy. The investment managers provide a regular update to trustees on their activities and the changes that have been implemented as a result of work of their ESG team.

8.Stewardship Policy

The Trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as ultimately this creates long-term financial value for the Scheme and its beneficiaries.

The Trustees receive annual reports on stewardship activity carried out by their investment managers, these reports include detailed voting and engagement information.

As part of the investment management of the Scheme's assets, the Trustees expect the investment managers to:

- Ensure that (where appropriate) the Trustees' voting rights in relation to the Scheme's assets are exercised; and
- Report to the Trustees on stewardship activity as required.

Where possible, the transparency for voting should include voting actions and rationale in particular where: votes were cast against management; votes against management generally were significant; or votes were abstained.

Where voting is concerned the Trustees would expect the investment managers to recall stock lending procedures, as necessary, in order to carry out voting actions.

An annual report will be made available to Scheme members.

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8.1 Arrangements with asset managers

The Trustees recognise that the arrangements with their investment managers are important to ensure that interests are aligned. In particular, the Trustees seek to ensure that their investment managers are incentivised to operate in a manner that generates the best long-term results for the Scheme and its beneficiaries.

The investment managers provide quarterly reports on performance. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives.

The Trustees also receive annual stewardship reports on the monitoring and engagement activities carried out by the investment managers.

There is typically no set duration for arrangements with the investment managers although the continued appointments will be reviewed periodically as part of a manager research and portfolio management process.

8.2 Cost monitoring

The Trustees are aware of the importance of monitoring the total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustees recognise that in addition to annual management charges there are other costs incurred by asset managers that can increase the overall cost incurred by their investments.

The Trustees will receive annual cost transparency reports from the fund managers. These reports will present information in line with prevailing regulatory requirements:

- the charges incurred through the use of pooled funds (custody, admin, audit fees etc);
- the impact of costs on the investment return achieved by the Scheme.

The Trustees acknowledge that portfolio turnover-costs are a necessary cost to generate investment returns and that the level of these costs varies across asset classes and manager.

8.3 Evaluation of performance and remuneration

The Trustees will undertake periodic reviews of the performance of the investment managers, their charges and their costs.

In setting the Scheme's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

9.Timing of periodic reviews

The Trustee will review the Statement triennially and additionally whenever there is a significant change in the scheme's circumstances.

Signature: [signature] Date: 28th September 2020

On behalf of the Directors of Brown Butlin Group Pension Trust Limited, Trustee of the Brown Butlin Group Limited Retirement Benefits Scheme

[1] The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018

SCHEDULE

Investment strategy for the Brown Butlin Group Limited Retirement Benefits Scheme

TRUSTEES' INVESTMENT OBJECTIVES

The Trustee's investment strategy has been established in order to maximise the likelihood of achieving the primary objectives set out in this Statement. The last actuarial valuation was undertaken as at 30 September 2019. This showed that on an ongoing basis the Scheme was 96% funded.

The Trustee and employer agreed, for the 2019 actuarial valuation, a single discount rate of 1.9% per annum (spot price of 17-year gilt yield as at 30 September 2019). The Trustee reviews the investment performance and the investment allocation at each Trustee meeting and regularly consults with the employer for the latter's views on the Scheme's investment allocation.

INVESTMENT MANAGERS

The Trustee has appointed Legal & General Investment Management as investment manager to be responsible for the day-to-day investment of the Scheme's assets.

The Trustee, on receipt of written advice from its investment advisers, instructs Legal & General on the allocation of the accrued fund value and of any new contributions. Legal & General Investment Management undertake a monthly divestment. The divestment, together with the employer and member contributions, meets the monthly pensioner payroll. Such investment decisions are reviewed at each trustee meeting and the trustees hold at least three meetings each year.

The scheme assets are invested in a range of equity funds (both UK and overseas), bond funds, a cash fund, a multi-asset fund and a property fund. Some of the funds are actively managed and some are passive investment funds. The Trustee also maintains a trustee bank account and the bank account is used to receive the ongoing contributions and divestment proceeds and to pay members' benefits as they fall due.

It is the intention of the Trustee to continue to pay pensions directly from the Scheme's assets. In addition, the Trustee may from time to time hold insurance policies or other assets which are earmarked for the benefit of certain members. These may include for example:-

- Assets secured by additional voluntary contributions (AVCs) or other arrangements made individually by the Trustee;
- Deferred or immediate annuity policies purchased to match part or all of the Scheme's liabilities.

The AVC scheme providers are Scottish Widows, Clerical Medical, Utmost Life & Pensions and Prudential all of which are regulated and authorised by the Financial Conduct Authority. The investment objective of the AVC funds is to provide members with competitive returns.

September 2020