

The House of Hardy Pension Scheme

This document contains the following scheme documentation for the House of Hardy Pension Scheme:

- Statement of Investment Principles; and
- Implementation Statement.

The House of Hardy Pension Scheme

Statement of Investment Principles

Barnett Waddingham LLP

26 July 2024

1. Introduction

- 1.1 This is the Statement of Investment Principles prepared by the Trustees of the House of Hardy Pension Scheme ("the Scheme"). This statement sets down the principles which govern the decisions about investments.
- 1.2 In preparing this statement the Trustees have consulted Harris & Sheldon Group Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees' investment consultant. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.
- 1.3 The Trustees will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.
- 1.4 The Trustees completed a bulk annuity insurance transaction with Just Retirement Limited ("the Insurer") in the contract dated 10 October 2023.

2. Choosing investments

- 2.1 The Trustees' policy is to set overall investment objectives, set an investment strategy and then monitor the performance and contributions of that strategy towards meeting the objectives. In doing so, the Trustees consider the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.
- 2.2 Effective from 10 October 2023, the Trustees entered into a bulk annuity insurance contract with the Insurer, which is expected to generate future income intended to match all defined benefits due to members of the Scheme, as set out in agreed data and benefit specifications.
- 2.3 The Insurer is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.
- 2.4 The Trustees holds no other investments beyond cash in the Scheme's bank account and a small holding in the BlackRock ICS Sterling Liquid Environmentally Aware Fund ('LEAF') ("LEAF Fund"). The day-to-day management of the assets held in the LEAF Fund is delegated to BlackRock. The investment manager is authorised and regulated by the Financial Conduct Authority and is responsible for selection of the holdings within the LEAF Fund.
- 2.5 The Trustees continue to review the appropriateness of the Scheme's investment strategy on an ongoing basis.
- 2.6 The Trustees will consult the Employer before amending the investment strategy.

3. Investment objectives

- 3.1 The Trustees have discussed key investment objectives in light of an analysis of the Scheme's liability profile as well as the constraints the Trustees face in achieving these objectives. As a result, the Trustees' main investment objective is:
- to hold assets that provide a high level of security that members' entitlements under the Trust Deed and Rules will be met in full as they fall due
- 3.2 The Trustees are aware of the relationship that exists between the particular investments held and the level of funding required to meet the Scheme's liabilities using those investments. The Trustees have obtained exposure to investments that they expect will meet the main investment objectives as best as possible.

4. Kinds of investments to be held

- 4.1 The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property and alternatives. In practice, the Scheme's current investment strategy involves holding the majority of the Scheme's assets in a bulk annuity insurance contract, with a small cash holding.
- 4.2 Given the Scheme's investment strategy, it is not expected that the Scheme will hold any employer-related investments. However, this is typically checked annually by the Scheme's/Plan's auditors.

5. The balance between different kinds of investments

- 5.1 The Scheme invests in assets that are expected to achieve the Scheme's objectives.
- 5.2 The Scheme holds a bulk annuity policy expected to produce cashflows that is expected to match the benefit entitlements of each of the Scheme's members. The remainder of the Scheme's assets are held in the Trustee bank account and the BlackRock ICS Sterling Liquid Environmentally Aware Fund ('LEAF').

6. Risks

- 6.1 The various types of investment risk which may affect the amount and timing of the Scheme's liabilities, as set out in data and benefit specifications, are insured through the bulk annuity purchase with the Insurer. Therefore, the vast majority of the risks set out below are covered by the insurance policy and are therefore expected to have minimal impact on the Scheme's ability to meet the liabilities of the Scheme as they fall due. However, the Trustees have considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities:

Risk versus the liabilities

The Trustees note that by securing the Scheme's benefits with an insurer, the risk of benefits not being met is now very low.

Covenant risk

The Scheme has limited reliance on the strength of the Employer's covenant as the Scheme's benefits have been secured with an insurer. The Employer may be liable for additional payments to the Scheme or Insurer in respect of expenses and further reconciliation of data and benefits with those agreed in specifications. Such amounts, if payable at all, are expected to be small relative to the total liabilities insured via the contract.

Insurer counter party risk	The risk of the insurer defaulting has been managed through the selection of a reputable UK regulated insurer and potentially supported by the insurance compensation regime in place should an insurer fail.
Investment manager risk	The Trustees monitor the performance of the residual assets (i.e. those held in cash and the LEAF Fund outside the bulk annuity policy) as necessary. The Trustees have a written agreement with the investment manager, which contains a number of restrictions on how each investment manager may operate.
Governance risk	The investment manager of the LEAF Fund is expected to undertake good stewardship and positive engagement in relation to the assets held. The Trustees monitor these and will report on the practices in their annual Implementation Statement where possible.
ESG/Climate risk	The Trustees have considered long-term financial risks to the Scheme and ESG factors (as well as climate risk). While the Trustees consider these factors to be potentially financially material, management of these risks over the lifetime of the contract is primarily an issue for the Insurer to manage.
Concentration risk	The investment manager and the Insurer are expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities.
Liquidity risk	The Scheme invests in assets, including cash, such that there is a sufficient allocation to liquid investments to meet the Scheme's remaining cashflow requirements that are not covered by the bulk annuity insurance contract. The Scheme's administrators monitor the level of cash available in the Scheme's bank account.
Currency risk	The Scheme's liabilities and the income produced by the bulk annuity contract are both denominated in sterling.
Loss of investment	In the event of the Insurer becoming insolvent, the Scheme could suffer losses on the contract, but would still retain the liability to pay members' benefits. This risk is mitigated by the regulatory regime and capital requirements in place for UK insurers. The risk of loss of investment by the investment manager is assessed by the Trustees. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

7. Expected return on investments

- 7.1 The Trustees have chosen to invest the vast majority of assets in a bulk annuity policy to match the Scheme's projected benefit payments with income from the policy. The remaining assets are held bearing in mind the nature of the potential additional liabilities that may fall due on the Scheme that are not covered by the policy, and ongoing expenses.
- 7.2 The Trustees have not set an expected return on the bulk annuity policy, given that its primary purpose is as an insurance contract rather than a return-seeking investment.

8. Realisation of investments

- 8.1 The annuity policy with the Insurer is not readily realisable and the Trustees do not expect to need to surrender or realise the contract given its nature and purpose. The income from the bulk annuity policy will be used to pay benefits covered by the policy.
- 8.2 The remaining assets of the Scheme are held in assets that can be realised at short notice.

9. Financially material considerations, non-financial matters, the exercise of voting rights and engagement activities, and policy on arrangements with investment managers

- 9.1 Since the majority of the Scheme's assets are held in an insurance policy, these matters are primarily an issue for the Insurer to manage. This is reflected in the Trustees' own policies, as summarised in the Appendix.

10. Agreement

- 10.1 This statement was agreed by the Trustees, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the Principal Employer, the investment manager, the Scheme Actuary and the Scheme auditor upon request.

Signed: **Date:**

On behalf of the House of Hardy Pension Scheme

Appendix 1 Note on investment policy of the Scheme in relation to the current Statement of Investment Principles

1. The balance between different kinds of investment

The Scheme primarily holds a bulk annuity policy with Just which is expected to cover all ongoing pension liabilities as they fall due.

The Trustees have appointed BlackRock Investment Management (UK) Limited to carry out the day-to-day investment of the Scheme's remaining assets. The only invested assets are held in the BlackRock ICS Sterling Liquidity Environmentally Aware Fund, information about which is shown below.

Fund Name	Benchmark	Objective
BlackRock ICS Sterling Liquidity Environmentally Aware Fund	SONIA overnight	The Fund seeks to provide a return in line with money market rates consistent with preservation of principal and liquidity by the maintenance of a portfolio of High Quality short term "money market" instruments and will take into account environmental characteristics when selecting the Fund's investments.

The performance of the investment manager will be monitored as frequently as the Trustees consider appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

Appendix 2 Financially material considerations, non-financial matters, the exercise of voting rights and engagement activities

1. Financially Material Considerations

The Trustees consider that factors such as environmental, social and governance (ESG) issues (including but not limited to climate change) have the potential to be financially material over the long-term. However, as the Trustees have completed a purchase of a bulk annuity policy intended to match the majority of the Scheme's liabilities, the Trustees are not directly exposed to these risks. The remaining assets are held bearing in mind the nature of the potential additional liabilities that may fall due on the Scheme and are not covered by the policy.

The Trustees have an expectation that the Insurer will consider ESG-related issues in selecting securities and other investments, or will otherwise engage with the issuers of their underlying holdings on such matters in a way that is appropriate for the nature of the assets under consideration.

2. Approach to monitoring ESG policy

The Scheme's assets are held as a bulk annuity policy and cash. Given the nature of the current holdings in the Scheme, the Trustees will review and monitor the ESG policy as they deem appropriate, considering the risks that present themselves.

3. Policy on the exercise of voting rights and engagement activities

The Trustees note that by securing the Scheme's benefits with an insurer, they have limited ability to influence the voting and engagement activities undertaken on behalf of the Insurer. Responsibility for engagement with the issuers of investments underlying the bulk annuity policy, including voting policy (where applicable), is the responsibility of the Insurer.

The Scheme retains cash and liquidity holdings but the Trustees note, due to a number of controls at both the asset manager and counterparties, the impact of engagement on the risk/return of the cash holdings is limited. The Trustees have therefore not set stewardship priorities.

4. Conflicts of interest

The Scheme's investment adviser is independent and no arm of their business provides asset management services. This, and their FCA-regulated status, makes the Trustees confident that the investment manager recommendations they make are free from conflicts of interest.

The Trustees expect all investment managers and insurers to have conflicts of interest policies in relation to their engagement and ongoing operations. The Trustees therefore believe they have managed the potential for conflicts of interest in the appointment of the investment managers, insurers, and investment

adviser, and conflicts of interest between the Trustees, investment adviser, the investment managers, the insurers, and any underlying investee companies.

5. Non-financial matters

The Trustees do not take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme (referred to as "non-financial matters" in the relevant Regulations) in the selection, retention and realisation of investments.

6. Policy on arrangements with investment managers

Incentivising alignment with the Trustees' investment policies

Arrangements for incentivising the investment managers of the assets underlying the bulk annuity policy are an issue for the Insurer.

Method and time horizon for assessing performance

The Trustees do not undertake regular formal monitoring of the investment managers due to the limited benefit of this activity given the bulk annuity policy held with the insurer for the majority of liabilities. However, the Trustees would undertake such monitoring if it was deemed necessary.

The Scheme invests exclusively in the LEAF Fund and a bulk annuity policy. The investment manager is remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the fund grows, due to successful investment by the investment manager, they receive more and as the value falls they receive less.

The Trustees ask the Scheme's investment consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered as frequently as the Trustees consider appropriate in light of the prevailing circumstances.

Portfolio turnover costs and duration of arrangement

The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. However, given the bulk annuity policy and liquidity holdings of the Scheme, the Trustees note that the impact of portfolio turnover costs and the duration of arrangement with the investment manager are expected to have zero impact.

For the open-ended pooled fund in which the Scheme invests, there are no predetermined terms of agreement with the investment manager.

The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustees' investment beliefs is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

Implementation Statement

The House of Hardy Pension Scheme

Scheme year ending 31 March 2025

Purpose of the Implementation Statement

This Implementation Statement has been prepared by the Trustees of The House of Hardy Pension Scheme ("the Scheme") and sets out:

- How the Trustees' policies on exercising rights (including voting rights) and engagement policies have been followed over the year.
- The voting activity undertaken by the Scheme's investment managers on behalf of the Trustees over the year, including information regarding the most significant votes.

Background

The Trustees completed a bulk annuity insurance transaction with Just Retirement Limited ("the Insurer") in the contract dated 10 October 2023. Under this contract, the Insurer has assumed liability to pay the Scheme's benefits as set out in the bulk annuity purchase contract.

In addition to the bulk annuity contract, as at 31 March 2025, the Trustees hold no other investments beyond cash in the Scheme's bank account and a small holding in the BlackRock ICS Sterling Liquid Environmentally Aware Fund ("LEAF"). As such, none of the Scheme's assets have voting rights attached and all the investments have a limited ability to engage with key stakeholders given the nature of the holdings.

Stewardship policy

The Trustee's Statement of Investment Principles ("SIP") in force at 31 March 2025 describes the Trustees' stewardship policy on the exercise of rights (including voting rights) and engagement activities. The SIP was last reviewed in July 2024 to reflect the Scheme's buy-in policy with Just and has been made available online here:

<https://schemedocs.com/house-of-hardy-statement-investment-principles.html>

The Trustees decided not to set stewardship priorities for the Scheme following the completion of a buy-in insurance transaction with Just. The Scheme's assets are now held exclusively in the insurance contract, Scheme bank account and BlackRock LEAF Fund. Since the Trustees have limited ability to influence the voting and engagement activities undertaken by the insurer, they do not believe it is proportional to set stewardship priorities.

How voting and engagement policies have been followed

Based on the information provided by the Scheme's investment managers, the Trustees believe that its policies on voting and engagement have been met in the following ways:

- The Scheme invests entirely in cash, the LEAF Fund and a buy-in policy.
- The Trustees note that by securing a bulk annuity contract with Just, they have limited ability to influence the voting and engagement activities undertaken on behalf of the Insurer. Responsibility for engagement with the issuers of investments underlying the bulk annuity policy, including voting policy (where applicable), is the responsibility of the Insurer.
- The Trustees note that in relation to the residual holdings in the Scheme bank account and the LEAF Fund, due to a number of controls at both the asset manager and counterparties, the impact of engagement on the risk/return of the cash holdings is limited.
- Having reviewed the above in accordance with the Scheme's policies, the Trustees are comfortable the actions of the fund manager are in alignment with the Scheme's stewardship policies.

Voting and engagement

The annuity policy held by the Scheme with the Insurer has no voting rights attached and limited ability to engage with key stakeholders given the nature of the mandate.

The BlackRock ICS Sterling Liquid Environmentally Aware Fund has no voting rights attached and limited ability to engage with key stakeholders given the nature of the investment; BlackRock do not undertake any material engagements in relation to it.

Therefore, there is no material voting or engagement data for the Trustees to report on in this statement.

**Prepared by the Trustees of the House of Hardy Pension Scheme
July 2025**