

domnick hunter Group Pension Scheme

Statement of Investment Principles

Barnett Waddingham LLP

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1. Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustees of the domnick hunter Group Pension Scheme (the “Scheme”). This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:
- the Pensions Act 1995, as amended by the Pensions Act 2004; and
 - the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010.
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018; and
 - the Occupational Pension Schemes (Investment and Disclosures) (Amendment) Regulations 2019.
- 1.2. In preparing this statement the Trustees have consulted the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees’ investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.
- 1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.
- 1.4. 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.
- 1.5. The investment powers of the Trustees are set out in the Definitive Trust Deed & Rules. This statement is consistent with those powers.

2. Choosing investments

- 2.1. The Trustees’ policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustees consider the advice of their professional advisers, whom they consider to be suitably qualified and experienced for this role.
- 2.2. The Trustees have secured a bulk annuity policy with Aviva Life and Pensions UK Limited (“Aviva”). Aviva is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.
- 2.3. The day-to-day management of the Scheme’s remaining assets is delegated to Legal and General Investment Management (“LGIM”). The investment manager is authorised and regulated by the Financial Conduct Authority, and is responsible for stock selection and the exercise of voting rights (if any).
- 2.4. The Trustees review the appropriateness of the Scheme’s investment strategy on an ongoing basis. This review includes consideration of the continued competence of the investment managers with respect to performance within any guidelines set. The Trustees will also 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 objectives are:

- to ensure that the Scheme can meet the members' entitlements under the Trust Deed and Rules as they fall due;
 - to invest in assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from the Principal Employer, the cost of current outflows which the Scheme provides;
 - to reduce the risk of the assets failing to meet the liabilities over the long term;
 - to minimise the long-term costs of the Scheme whilst having regard to the above objectives.
- 3.2. The Trustees are aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities. The Trustees have secured a bulk annuity which covers the benefits due to all members, subject to final adjustments in due course.

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, alternatives and annuity policies.
- 4.2. As the Scheme's investments consist almost entirely of the bulk annuity policy, there should be minimal (if any) employer-related investment content within the Scheme's portfolio. Any check would typically be carried out annually by the Scheme's auditor.

5. The balance between different kinds of investments

- 5.1. The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within the Appendix to this Statement.
- 5.2. The Scheme holds a bulk annuity policy which is expected to meet the benefit entitlements of each of the Plan's members, subject to final adjustment in due course. The remainder of the Scheme's assets are held in a mixture of gilts and cash with the Scheme's incumbent investment manager, LGIM.
- 5.3. The nature of the bulk annuity policy means that the insurer will meet cashflow requirements in respect of benefit payments. The Trustee expects any fees and other expenses (including that of GMP equalisation) to be met using the reserves held within the gilt and cash funds and, where relevant, contributions from the Employer.
- 5.4. From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.

6. Risks

- 6.1. The Trustees have considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities, and considered ways of managing/monitoring these risks:

Risk versus the liabilities	The risk of the assets behaving differently from the Scheme's liabilities has largely been mitigated by purchasing an annuity policy that exactly matches the benefit payments due, subject to final adjustment in due course.
Covenant risk	The creditworthiness of the Principal Employer and the size of the pension liability relative to the Principal Employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the employer covenant.
Asset allocation risk	The asset allocation is detailed in the Appendix to this Statement and is monitored on a regular basis by the Trustees.
Investment manager risk	The Trustees have a written agreement with their investment manager, which contains a number of restrictions on how they may operate. However, the Scheme's main asset is the annuity policy held with Aviva.
Concentration risk	Each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities. In relation to the bulk annuity policy, it is the insurer's discretion how the underlying assets are invested and the insurer bears the risk in relation to the assets' performance.
Liquidity risk	Responsibility for providing the monies to pay member benefits lies with the insurer as the provider of the bulk annuity policy, which mitigates the majority of the potential liquidity risk.
Currency risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management. Currency hedging is employed to manage the impact of exchange rate fluctuations.
Loss of investment	The biggest risk is in relation to the bulk annuity policy. In the event of the insurer becoming insolvent, the Scheme could suffer losses (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 Trustees have carried out due diligence on the insurer.

7. Expected return on investments

- 7.1. The Trustees have regard to the relative investment return and risk that each asset class is expected to provide. The Trustees are advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.
- 7.2. The Trustees recognise the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.
- 7.3. In considering the expected return from investments, the Trustees recognise that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities.

- 7.4. Having established the investment strategy, the Trustees monitor the performance of each investment manager against an agreed benchmark as frequently as appropriate according to market conditions and the Scheme's funding position. The Trustees meet the Scheme's investment managers as frequently as is appropriate, [normally on an annual basis], in order to review performance.

8. Realisation of investments

- 8.1. The Trustees have delegated the responsibility for buying and selling investments to the investment managers. The Trustees have considered the risk of liquidity as referred to above.
- 8.2. The Scheme's main investment is an annuity policy which is not readily realisable but is structured so as to pay benefits to members as they fall due.

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

- 9.1. The Trustees have set policies in relation to these matters. These policies are set out in Appendix 2 to this statement.

10. Policy on arrangements with asset managers

Incentivising alignment with the Trustees' investment policies

- 10.1. Prior to appointing an investment manager, the Trustees discuss the investment manager's approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how their policies are aligned with the Trustees' own investment beliefs.
- 10.2. When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustees also consider how ESG and climate risk are integrated into these. If the Trustees deem any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they will consider using another manager for the mandate.
- 10.3. The Trustees carry out a strategy review at least every three years where they assess the continuing relevance of the strategy in the context of the Scheme's membership and their aims, beliefs and constraints.
- 10.4. In the event that an investment manager ceases to meet the Trustees' desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment will be terminated. The investment managers have been informed of this by the Trustees.
- 10.5. Investment manager ESG policies may be reviewed from time to time in the context of best industry practice and feedback will be provided to the investment manager.

Incentivising assessments based on medium to long term, financial and non-financial considerations

- 10.6. The Trustees are mindful that the impact of ESG and climate change has a long-term nature. However, the Trustees recognise that the potential for change in value as a result of ESG and climate risk may occur over

a much shorter term than climate change itself. The Trustees acknowledge this in their investment management arrangements.

- 10.7. When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustees assess these over a rolling timeframe. The Trustees believe the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustees expect this longer term performance target to be sufficient to ensure an appropriate alignment of interests.
- 10.8. The Trustees expect investment managers to be voting and engaging on behalf of the Scheme's holdings and the Scheme monitors this activity within the Implementation Statement in the Scheme's Annual Report and Accounts. The Trustees do not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

Method and time horizon for assessing performance

- 10.9. The Trustees monitor the performance of their investment managers over medium to long term periods that are consistent with the Trustees' investment aims, beliefs and constraints.
- 10.10. The Scheme invests exclusively in pooled funds. The investment manager is remunerated by the Trustees based on the assets they manage on behalf of the Trustees. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less.
- 10.11. The Trustees believe that this fee structure, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.
- 10.12. 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 regularly as part of the review of the Statement of Investment Principles.

Portfolio turnover costs

- 10.13. The Trustees acknowledge that portfolio turnover costs can impact on the performance of their investments. Overall performance is assessed as part of the quarterly investment monitoring process.
- 10.14. During the investment manager appointment process, the Trustees may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices. The Trustees acknowledge that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

Duration of arrangement with asset manager

- 10.15. For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers.
- 10.16. 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.

11. Agreement

- 11.1. 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 employer, the investment managers, the actuary and the Scheme auditor upon request.

Agreed by the Trustees on behalf of the **Domnick Hunter Group Pension Scheme**

August 2023

Appendix 1 Note on investment policy of the Scheme as at August 2023 in relation to the current Statement of Investment Principles

1. The balance between different kinds of investment

The Scheme has a strategic asset allocation as set out in the table below, which has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and diversification:

Assets	Allocation (%)
Aviva Life and Pensions UK Limited annuity policies	100.0
Total	100.0

The Scheme will also hold cash in the bank and the remaining assets with LGIM to cover fees and other expenses, including the allowance for GMP equalisation.

2. Choosing investments

The Trustees have secured an insurance contract in respect of the Scheme's liabilities with Aviva who is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority. The Trustees have also appointed Legal & General Investment Management ("LGIM") to carry out the day-to-day investment of the remaining assets that are being held to cover fees and expenses, including the provision for GMP equalisation. The remaining assets are split between single stock gilt funds and the Sterling Liquidity Fund, where the gilt funds aim to broadly hedge the outstanding GMP equalisation provision.

The investment benchmark and objective for the remaining investment manager is given below:

Investment manager	Fund	Benchmark	Objective
LGIM	Single Stock Gilt Funds	Relevant single stock gilt	To achieve a return in line with the relevant single stock gilt.
LGIM	Sterling Liquidity Fund	Sterling Overnight Index Average (SONIA)	To provide diversified exposure and a competitive return in relation to SONIA.

The performance of the investment managers 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.

The fee arrangements with the investment managers are recorded separately by the Trustees.

The Trustees have appointed Barnett Waddingham LLP to advise on investment matters. Barnett Waddingham are normally remunerated on a time-cost basis, although fixed fees may be agreed for specific tasks.

3. Investments and disinvestments

The Trustees monitor the asset allocation and will make investment and disinvestment decisions taking into account the benchmark allocation and advice from their investment consultant. The expectation is that all member benefits will be met by the Aviva bulk annuity. The Scheme also holds cash in the bank and assets with LGIM, which are expected to cover fees and other expenses, including the allowance for GMP equalisation.

Appendix 2 Financially material considerations, non-financially material considerations, 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 for the Scheme over the remaining life of the Scheme. Given the purchase of a bulk annuity contract and the fact that this is intended to cover all benefits of the Scheme (after adjustments for factors such as GMP equalisation), this timeframe is likely to be less than five years from the date of this Statement of Investment Principles.

The Trustees have elected to invest the Scheme's assets through pooled funds and a bulk annuity contract. The choice of underlying funds is made by the Trustees after taking advice from their investment consultant. The Trustees, and the managers of the underlying funds, take into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments.

The Trustees take those factors into account in the selection, retention and realisation of investments as follows:

Selection of investments: assess the investment managers' ESG integration credentials and capabilities, including stewardship, as a routine part of requests for information/proposals as well as through regular reporting channels.

Retention of investments: Developing a robust monitoring process in order to monitor ESG considerations on an ongoing basis by regularly seeking information on the responsible investing policies and practices of the investment managers.

Realisation of investments: The Trustees will request information from investment managers about how ESG considerations are taken into account in decisions to realise investments.

The Trustees will also take those factors into account as part of its investment process to determine a strategic asset allocation, and consider them as part of ongoing reviews of the Scheme's investments.

The Trustees will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

- The Trustees will obtain training on ESG considerations where relevant in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
- As part of ongoing monitoring of the Scheme's investment managers, the Trustees will use any ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues; and
- Through their investment consultant the Trustees will request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.

1. Non-financially material considerations

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.

2. The exercise of voting rights

The Trustees' policy on the exercise of rights attaching to investments, including voting rights (noting no investments held have these at present), and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustees' behalf. In doing so, the Trustees expect that the investment managers will use their influence as major institutional investors to exercise the Trustees' rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustees will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Scheme's investment consultant where appropriate.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustees will, with input from their investment consultant, monitor and review the information provided by the investment managers. Where possible and appropriate, the Trustees will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

3. Engagement activities

The Trustees acknowledge the importance of ESG and climate risk within their investment framework. When delegating investment decision making to their investment managers they provide their investment managers with a benchmark they expect the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustees are of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities, i.e. that they apply to equity, credit and property instruments or holdings. The Trustees also recognise that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustees consider it to be a part of their investment managers' roles to assess and monitor developments in the capital structure for each of the companies in which the managers invest on behalf of the Scheme or as part of the pooled fund in which the Scheme holds units.

The Trustees also consider it to be part of their investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

Should an investment manager be failing in these respects, this should be captured in the Scheme's regular performance monitoring.

The Scheme's investment managers are granted full discretion over whether or not to invest in the Principal Employer's business. Through their consultation with the Principal Employer when setting this Statement of Investment Principles, the Trustees have made the Principal Employer aware of their policy on ESG and climate related risks, how they intend to manage them and the importance that the pensions industry as a whole, and its regulators, place on them.

The Scheme's investment consultant 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 conflict of interest.

The Trustees expect all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustees believe they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustees' investment manager and the investee companies.

The Trustees appreciate that the method of incorporating ESG in the investment strategy and process may differ between asset classes.

The Trustees are also cognisant of the different investment timeframes that may apply to investments. The Trustees believe that ESG issues, including climate change issues, may have a greater impact over a longer timeframe, compared to investments that are held for a shorter timeframe.

A summary of the Trustees' views for each asset class in which the Scheme invests is outlined below.

Money-markets

The Trustee believes there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the fact that money market investments are short-term. It is worth noting that when transacting in money market funds, the Trustee requires due diligence is undertaken to assess the credit worthiness of the counterparty both at the start of and throughout any investment, whilst at the same time looking to achieve best execution. The Trustee believes this is more relevant for longer term trades compared to shorter term trades and should incorporate ESG factors where these assist with the credit worthiness assessment.

Bulk-annuity policy

The Trustees believe that ESG issues may be financially material to ensure payments are provided by the Scheme's buy-in policy. The Trustees, however, believe that the integration of ESG by the insurer into the underlying management of assets will help to mitigate risk. The process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

Passive Gilts

The Trustee does not believe that there is significant scope for ESG issues to improve the risk-adjusted returns within the Scheme's passive gilt holdings.

Implementation Statement

domnick hunter Group Pension Scheme

Purpose of this statement

This implementation statement has been produced by the Trustees of the domnick hunter Group Pension Scheme ("the Trustees" and "the Scheme", respectively) and sets out:

- How the Trustee's policies on exercising rights (including voting rights) and engagement activities have been followed over the year.
- The voting behaviour of the Trustees, or that undertaken on their behalf, over the year to 30 June 2023.

Scheme year material event

In December 2022, the Scheme purchased a bulk annuity policy with Aviva Life and Pensions UK ("Aviva") which will meet the benefit entitlements of each of the Scheme's members, subject to final adjustments in due course. The fact that the Scheme's investment portfolio consists primarily of a bulk annuity policy alongside a small portfolio of remaining cash and gilts to meet future expenses (including a provision for GMP equalisation) means that going forward ESG considerations cannot be meaningfully applied and it will become difficult to monitor voting and engagement. Unless there is a change to the Scheme's investment in the future, there will be limited scope for engagement on the Scheme's investment and meaningful updates to this Implementation Statement. The information presented in this statement pertains to the remaining assets held with Legal and General Investment Management ("LGIM").

Stewardship policy

The Trustee's Statement of Investment Principles (SIP) in force at August 2023 describes the Trustee's stewardship policy on the exercise of rights (including voting rights) and engagement activities. It was last reviewed in August 2023 and has been made available online here:

<https://schemedocs.com/domnick-hunter-statement-investment-principles.html>

The Trustees have delegated the exercise of rights attaching to investments, including voting rights, and undertaking engagement activities to the Scheme's investment managers.

The Trustees have decided not to set stewardship priorities for the Scheme because the Scheme's primary investment is a bulk annuity policy held with Aviva. Given the Scheme's time horizon to a full buy-out and the purchase of the bulk annuity policy, the Trustees have concluded it would be disproportionate to set stewardship priorities, relative to the Scheme's other risks. Additionally, the remaining assets held by the Scheme in gilts and cash do not have voting rights attached.

Voting Data

As the Scheme had no holdings in funds containing equities over the year, there was not expected to be any voting rights attached to any of the funds the Scheme held.

Fund level engagement

The investment managers may engage with their investee companies on behalf of the Trustees. The Scheme held an investment in the LGIM Buy and Maintain Credit Fund over part of the period. The investment manager was not able to provide the data with a level of granularity to cover the period from 30 June 2022 to 30 November 2022 when the Scheme was invested in the Fund. Given the relatively small allocation (as % of total Scheme assets) and short period the Fund was held during the Scheme-year, the Trustee has concluded it would be disproportionate to report on engagements in more detail.

The Trustees believe that there is very limited scope for engagement in relation to the government bond and cash funds, and therefore there is no information shown for these assets.

Prepared by the Trustees of the Domnick Hunter Group Pension Scheme

August 2023