

STATEMENT OF INVESTMENT PRINCIPLES

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for the BTG PENSION FUND

September 2020

1. Introduction

1.1. What is the purpose of this Statement of Investment Principles?

This Statement of Investment Principles (“SIP”) sets out the policy of the Trustee of the BTG Pension Fund (“the Trustee”) on various matters governing decisions about the investments of the BTG Pension Fund (“the Fund”).

1.2. Who has had input to the SIP?

This SIP has been formulated after obtaining and considering written professional advice from Lane Clark & Peacock LLP, the Fund’s investment adviser and actuaries, whom the Trustee believes to be suitably qualified and experienced to provide such advice. The advice takes into account the suitability of investments and the need for diversification, given the circumstances of the Fund and the principles contained in this SIP.

The employer was consulted on the SIP.

1.3. What is the legal and statutory background to the SIP?

The SIP is designed to meet the requirements of Section 35 (as amended) of the Pensions Act 1995 (“the Act”) and the Occupational Pension Schemes (Investment) Regulations 2005 (“the Regulations”) and the Pension Regulator’s guidance for defined benefit pension schemes (March 2017).

The Fund’s assets are held in trust by the Trustee. The investment powers of the Trustee are set out in Part I Rule 2 of Schedule D to the Fund’s Trust Deed and Rules dated 29 May 2001.

2. What are the Trustee’s overall investment objectives?

The Trustee’s primary objective is to invest the assets of the Fund and any future contributions prudently to ensure that the benefits promised to members are provided. The Trustee has taken into account the funding requirements detailed in the Occupational Pension Schemes (Scheme Funding) Regulations 2005 in forming its objective.

3. Summary of the Fund's investment strategy

3.1. What is the Fund's investment strategy?

Following a feasibility study carried out in June 2017, the Trustee entered into a bulk annuity contract ("buy-in policy") with JUST Retirement Ltd in October 2017 to cover a subset of the Fund's pensioner liabilities.

Following a further feasibility study carried out during 2019, the Trustee entered into another bulk annuity contract with Pension Insurance Corporation plc in July 2019 to cover all the Fund's remaining members.

The Trustee believes that investments in these Buy-in Policies provides a high degree of certainty that the benefits promised to members will be provided.

As the Buy-In Policies are the Fund's only investment, aside from AVCs, the Fund is a "wholly-insured scheme" as defined in Regulation 8(2) of the Occupational Pension Schemes (Investment) Regulations 2005.

3.2. What did the Trustee consider in setting the Fund's investment strategy?

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment adviser on the question of whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments, taking account of the principles within this statement.

The Trustee does not believe that the matters set out in Regulation 2(3)(d) of the Occupational Pension Schemes (Investment) Regulations 2005 relating to incentivising investment managers and monitoring turnover costs are relevant to the Buy-In Policies.

4. Additional Voluntary Contributions ("AVCs")

The Trustee has selected Aviva as the Fund's money purchase AVC provider.

There are also AVC investments with Friends Life Limited and Utmost Life and Pensions Limited, although members are not contributing to these.

5. Review

The Trustee will, from time to time, review the appropriateness of this SIP with the help of its advisers, and will amend the SIP as appropriate. These reviews will take place as soon as practicable after any significant change in investment policy, and at least once every three years.

Agreed by the Trustee on 18 September 2020

Investment governance, responsibilities, decision-making and fees

A.1. Responsibilities and investment decision-making structure

The Trustee has decided on the following division of responsibilities and decision-making for the Fund. This division is based upon the Trustee's understanding of the various legal requirements placed upon them, and their view that this division allows for efficient operation of the Fund overall, with access to an appropriate level of expert advice and service.

A.1.1. Trustee

In broad terms, the Trustee is responsible in respect of investment matters for:

- reviewing the investment policy following the results of each valuation, and / or after any review of investment strategy (eg any asset liability modelling exercise);
- if required, the policy for rebalancing between asset classes and asset managers;
- appointing (and, when necessary, dismissing) the investment managers, the actuary and investment consultants;
- monitoring the exercise of the investment powers that they have delegated to the investment managers and monitoring compliance with Section 36 of the Act;
- communicating with members as appropriate on investment matters;
- putting effective governance arrangements in place and documenting these arrangements in a suitable form;
- reviewing the content of this SIP from time to time and modifying it if deemed appropriate; and
- consulting with the employer when reviewing the SIP.

A.1.2. Actuary and investment consultant

In broad terms, the actuary and investment consultant will be responsible, in respect of investment matters, as requested by the Trustee, for:

- advising on how material changes within the Fund's benefits, membership, and funding position may affect the manner in which the assets should be invested and the asset allocation policy;
- advising on the selection, and review, of the investment arrangements; and
- participating with the Trustee in reviews of this SIP.

A.2. Annuity providers

The annuity provider's responsibility is to pay the pensions secured under the bulk annuity contracts accurately and on a timely basis.

A.3. Fee structures

The Trustee recognises that the provision of investment management, dealing and advisory services to the Fund results in a range of charges to be met, directly or indirectly, by deduction from the Fund's assets.

The Trustee has agreed Terms of Business with the Fund's actuarial and investment advisers, under which charges are calculated on a "time-cost" basis.

The fees paid to the insurers are built into the initial premium paid, so no further fees are payable to the insurers.

The fee structure used in each case has been selected with regard to existing custom and practice, and the Trustee's view as to the most appropriate arrangements for the Fund. However, the Trustee will consider revising any given structure if and when it is considered appropriate to do so.

A.4. Performance assessment

The Trustee is satisfied, taking into account the external expertise available, that there are sufficient resources to support its investment responsibilities. The Trustee believes that it has sufficient expertise and appropriate training to carry out its role effectively.

It is the Trustee's policy to assess the performance of the Fund's investments, investment providers and professional advisers from time to time.

A.5. Working with the Fund's employer

When reviewing matters regarding the Fund's investment arrangements, such as the SIP, the Trustee seeks to give due consideration to the employer's perspective. While the requirement to consult does not mean that the Trustee needs to reach agreement with the employer, the Trustee believes that better outcomes will generally be achieved if the Trustee and employer work together collaboratively.