BROADSTONE

Argent Group Europe Pension Scheme

Statement of Investment Principles

September 2020

1. Introduction

This Statement of Investment Principles has been drawn up by the Trustee of the Argent Group Europe Pension Scheme ("the Scheme") in accordance with Section 35 of the Pensions Act 1995, amended by Section 244 of the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005, the Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

2. Decision Making Process

The Trustee

The investment of the Scheme's assets is the responsibility of the Trustee and the Scheme Rules give the Trustee broad powers on investment. There are no restrictions (however expressed) on any power to make investments by reference to the consent of the Employer.

In order to provide the appropriate amount of time to consider investment matters appropriately, the Trustee has established an Investment Committee. The Investment Committee operates under an agreed set of Terms of Reference which allow it to review and consider reports from the Investment Managers, consider matters relating to investment strategy and the appointment of Investment Managers, and to make recommendations on these matters to the full Trustee board. The Investment Committee has no decision making powers.

The Trustee's policy is, through the Investment Committee, to seek professional advice on investment strategy. It decides on the investment strategy after considering recommendations of the Investment Committee, which in turn, has considered the investment advice from the Investment Consultant. The Investment Committee and the Trustee recognise that their level of investment expertise must be kept under review in order to be able to critically evaluate this advice.

The Investment Committee and the Trustee meet regularly and ensure that adequate time is set aside to discuss investment issues.

In determining their investment strategy, the Investment Committee and the Trustee address the following:

- the need to consider a full range of asset classes
- the risks and rewards of a range of alternative asset allocation strategies
- the suitability of each asset class
- the need for appropriate diversification
- the Scheme's Investment and Funding Objectives

The Investment Consultant

The Investment Consultant advises on an investment strategy appropriate to the investment objectives. This advice is provided after each formal actuarial valuation and on a regular basis between formal valuations. The Investment Consultant also monitors and reports on the performance of the Investment Managers.

The Investment Consultant is paid a fee for their advice and their appointment is reviewed from time to time by the Trustee.

Broadstone Corporate Benefits Limited has been appointed as the Investment Consultant to the Trustee, on the basis that the Trustee believes them to be suitably qualified and have the appropriate knowledge and experience of the management of the investments of such schemes.

Broadstone Corporate Benefits Limited is authorised and regulated by the Financial Conduct Authority.

The Platform Provider

The Trustee has appointed Mobius Life ("the Platform Provider") to provide a platform for a portion of the Scheme assets.

The Employer

The Trustee will consult with the Employer as part of the process for deciding on its investment strategy. However, there are no restrictions (however expressed) on any power to make investments by reference to the consent of the Employer.

Delegation

The Trustee has a policy of delegating all day-to-day powers of investment to the Investment Managers who are authorised and regulated by the Financial Conduct Authority.

The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled vehicles.

3. Investment Objectives

Funding Objective

The primary funding objective of the Scheme is to ensure, as far as possible, that there are sufficient assets to provide benefits to the Scheme members as and when these fall due.

Investment Objectives

The Trustee's high level objectives with regard to investing the Scheme assets are to:

- achieve a return which is sufficient over the longer term to meet the Funding Objective
- adopt an approach that recognises the need to balance risk with the achievement of a satisfactory investment return

Performance Objective

The Investment Managers have each been set Performance Objectives to achieve returns in line with, or in excess of, a benchmark.

4. Investment Strategy

The Trustee has adopted a target return approach for its investments in order to more closely align its investment strategy with its funding strategy and to reduce the overall level of volatility of investment return achieved.

Given its investment objectives, the Trustee has agreed the following long-term strategic asset allocation, which should be broadly adhered to within a reasonable control range. The assets are held in a combination of pooled funds and are fully and readily realisable:

	Interim Strategic Asset Allocation	Estimated Target Strategic Asset Allocation*
Return Seeking Portfolio	85%	76%
Liability Matching / Protection Portfolio (Enhanced Liability Driven Investment (LDI) Funds	15%	24%

*after 3 years

The Trustee has agreed the implementation of automatic, time-based triggers. As such, even quarterly investments will be made into the LDI funds over a 3 year period until 31 December 2020 as follows:-

	Amount
Year 1	£700,000 p.a.
Year 2	£1,600,000 p.a.
Year 3	£1,600,000 p.a.

These are broadly based on the smoothed Deficit Reduction Contributions over the three year period plus additional amounts in years 2 and 3.

The time-based triggers will remain in place until notified otherwise. It is expected that this will result in an increase in the LDI coverage to c50% by December 2020.

Additionally, the Trustee has adopted a Market Trigger strategy to accelerate the LDI hedge position if markets move favourably. On the first Market Trigger, the Trustee will invest an additional £1.0m in the LDI funds to increase the LDI position. Two subsequent Market Triggers also of £1.0m each have been agreed. The additional Trigger amounts will be used to accelerate the hedged position to achieve the target 50% hedge earlier than 31 December 2020.

The assets are held in a combination of pooled funds and are fully and readily realisable.

The Return Seeking Portfolio is made up of a complementary package of Diversified Growth Funds designed to deliver the overall return objective whilst reducing volatility from traditional asset classes.

The Liability Matching / Protection Portfolio is made up of leveraged LDI funds with growth on top (Enhanced LDI) so as to maintain the overall growth exposure to the whole portfolio and avoid the return drag effect from traditional LDI approaches.

The Trustee agreed the range of funds used in the strategy taking into account the maturity of the liabilities. The Trustee is satisfied that the funds selected are consistent with its investment objectives and that the range agreed is sufficiently robust to allow easy adjustment between the funds as the risk appetite changes and the Scheme matures.

From time to time the Trustee may let the allocations drift over the shorter term in order to meet its longer term aims.

The Trustee may, from time to time, decide to change the funds used within the overall investment strategy and the investment allocation between the funds as alternatives emerge, funds change and the Scheme develops.

For details on the funds in use by the Scheme and the strategic benchmark asset allocation, please refer to the "Funds Currently in Use" document.

5. Cash flow and Rebalancing

New money will be invested (or disinvestments made for required cash flow) on a mechanical basis to bring the asset allocation back to the benchmark strategy as far as possible.

The Trustee is mindful of the need to periodically rebalance the assets of the Scheme in line with the Scheme's strategic benchmark asset allocation and/or when any control limits are breached. The Trustee will monitor the Scheme's actual asset allocation on a regular basis and will decide on a course of action, which may involve redirecting cash flows, a switch of assets, or taking no action, taking into account advice from the Investment Consultant.

6. Expected Return

The Trustee expects the return on assets to be consistent with the investment objective and investment strategy outlined above.

It is the view of the Investment Consultant that, after expenses, the current strategy could be expected to generate a return of broadly 3.75% to 4.25% per annum above cash and net of manager expenses. This return is a 'best estimate' of future returns that has been arrived at given the Scheme's long-term asset allocation.

The Trustee recognises that over the short term, performance may deviate significantly from this long-term expectation. This 'best estimate' will also generally be higher than the estimate used for the actuarial valuation of the Scheme's liabilities.

For this purpose a more prudent estimate of returns will generally be used, agreed by the Trustee on the basis of advice from the Scheme Actuary.

7. Investment Manager Structure

Platform Provider

The Trustee has appointed Mobius Life ("the Platform Provider") to provide a platform for a portion of the Scheme assets. The Platform Provider is regulated by the Financial Conduct Authority and Prudential Regulation Authority. The Trustee utilises Mobius Life to access the Partners Group fund investments. The Trustee entered into a contract with Mobius in November 2019.

Investment Managers

The Trustee utilises a number of Investment Managers to manage the assets of the Scheme, either directly or via the Platform Provider. The Investment Managers are regulated by the Financial Conduct Authority

The Trustee entered into contracts with Aberdeen Standard in September 2001, Aviva Investors in May 2017, BlackRock Asset Management in January 2010, Insight Investment in January 2015, Invesco Asset Management in June 2017 and Prudential in January 2020.

The Trustee has decided to invest in pooled funds, other collective investment vehicles, and cash. The Scheme does not invest directly in stocks, shares, bonds, derivatives etc.

The Trustee has decided to invest in pooled funds because:

- the Scheme is not large enough to justify direct investment in equities or bonds on a cost-effective basis
- pooled funds allow the Scheme to invest in a wider range of assets, which serves to reduce risk
- pooled funds provide a more liquid form of investment than certain types of direct investment.

The Investment Managers appoint individual custodians to hold the securities owned by the Scheme.

8. Investment Monitoring

The Investment Managers provide the Trustee with quarterly reports setting out a valuation of the funds. The Platform Provider provides the Trustee with a monthly valuation of the funds held on the platform.

The Investment Managers periodically attend Trustee meetings in order to report on their activity and performance, to outline their views on future investment conditions, and to answer any questions the Trustee may have.

The Investment Consultant will provide periodic advice to the Trustee commenting on performance and asset allocation.

The Investment Managers will supply the Investment Consultant with sufficient information when requested in order to monitor financial and non-financial performance.

9. Portfolio Turnover Costs

The Trustee expects the Investment Managers to change underlying holdings only to an extent required to meet their 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 for their strategy or the underlying funds.

The Investment Managers when requested by the Investment Consultant shall provide information on portfolio turnover and associated costs so that this can be monitored, as appropriate.

10. Corporate Governance

The Trustee wishes to encourage best practice in terms of activism. The Trustee accepts that by using pooled investment vehicles the day-to-day application of voting rights will be carried out by the Investment Managers. Consequently, the Trustee expects the Scheme's Investment Managers to adopt a voting policy that is in accordance with best industry practice.

11. Social, Environmental and Ethical Considerations

The Trustee believes that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns. The Trustee expects its investment managers, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustee assesses the ESG integration capability of its investment managers.

The Trustee believes that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, it must act as a responsible asset owner. The Trustee expects its investment managers to exercise its ownership rights, including voting and engagement rights, in order to safeguard sustainable returns over this time frame.

On an ongoing basis the Trustee assesses the stewardship and engagement activity of its investment managers.

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 its investment managers, 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. Members' views are not sought on non-financial matters (including ESG and ethical views) in relation to the selection, retention and realisation of investments.

Responsibility for monitoring the makeup and development of the capital structure of investee companies is delegated to the Investment Managers. The Trustee expects the extent to which the Investment Managers monitor capital structure to be appropriate to the nature of the mandate.

12. Conflicts of Interest

The Trustee maintains a separate conflicts of interest policy and register.

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

13. Incentivisation of Investment Managers

The Investment Managers are primarily remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund.

The Trustee does not directly incentivise the Investment Managers to align the approach they adopt for a particular fund with the Trustee's policies and objectives. Instead, the Investment Managers and the funds are selected so that, in aggregate, the returns produced are expected to meet the Trustee's objectives.

Neither does the Trustee directly incentivise the Investment Managers 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 funds used by the Scheme.

14. 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.

15. Risks

The Trustee recognises that a number of risks are involved in the investment of the assets of the Scheme. It has identified the following principal risks which have the potential to cause deterioration in the Scheme's funding level:

- Solvency risk: The risk that the fund has insufficient assets to meet all its liabilities as they fall due
- Mismatching risk: The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors
- Manager risk: The failure by the Investment Managers to achieve the rates of investment return assumed
- Liquidity risk: The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities
- Custodian risk: The risk of failed or inadequate performance by the custodian
- Concentration Risk: The risk that the performance of any single investment that constituted a large proportion of the assets would disproportionately influence the overall level of assets
- Political risk: The financial risk that a country's government will suddenly change its policies. This includes events unfolding in the Eurozone and elsewhere, other government actions, geopolitical events, and socio-economic changes that can lead to social unrest
- Sponsor risk: The possibility of failure of the Scheme's sponsoring employers
- Counterparty risk: The risk that other parties in any trade or position will default, i.e. will renege on their contractual obligations, resulting in a financial loss to the Scheme
- Currency risk: The risk associated with exposure to unexpected fluctuations in exchange rates. Fluctuations in currency values (both of the home currency and the foreign currency) can reduce the returns associated with foreign investments.
- Interest and inflation risk: There is a risk that the assets do not move in the same way as the liabilities following a change in fixed and / or real interest rates.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review. Some of these risks may also be modelled explicitly during the course of such reviews.

The policy of the Trustee is to monitor, where possible, these risks on a regular basis. The Trustee therefore considers:

- The actual funding level versus the Statutory Funding Objective
- Actual performance versus the Scheme's investment and funding objectives
- Investment Managers' performance versus their respective benchmarks and targets
- Any significant issues with the Investment Manager that may impact their ability to meet investment performance objectives set by the Trustee.

16. Fee Structures

The Investment Managers are paid a management fee on the basis of assets under management. The Platform Provider is paid a fee on the basis of assets held on the platform. The Investment Consultant is paid on a project basis which may be a fixed fee or based on time cost, as negotiated by the Trustee in the interests of obtaining best value for the Plan.

The appropriateness of the Investment Managers' remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise a manager has had in meeting its objectives, both financial and non-financial.

17. Additional Voluntary Contributions ('AVCs')

The Scheme no longer enables members to pay AVCs to enhance their benefits at retirement.

The accrued AVC assets are held separately from the other Scheme assets.

18. Best Practice Principles

In October 2008, the Government published the results of its consultation on revisions to the Myners' principles in response to recommendations made in 2007 by the National Association of Pension Funds (NAPF) (now known as the Pensions and Lifetime Savings Association).

This takes the form of six high level 'Best Practice' principles set out below, supported by best practice guidance and trustee tools that can be used to assess compliance.

1. Effective decision-making
2. Clear objectives
3. Risk and Liabilities
4. Performance assessment
5. Responsible ownership
6. Transparency and Reporting.

The Trustee periodically reviews its compliance with the best practice Principles. The Trustee believes that it complies with the spirit of the Principles. There may be some instances of deviation from the published 'Best Practice Guidance' on the Principles where the Trustee believes this to be justified.

19. Review of this Statement

The Trustee will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change will only be made after having obtained and considered the written advice of someone whom the Trustee reasonably believes to be qualified by their ability in, and experience of, financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

For and on behalf of the Trustee of the Argent Group Europe Pension Scheme

Date 28 | 09 | 2020

For and on behalf of the Employer

Date 30/09/2020

Version	Date	Comment
Version 1	February 2015	Change of SIP format and inclusion of new investment managers
Version 2	October 2016	Revised strategy to include LDI
Version 3	October 2018	Revised strategy, inclusion of new investment managers and update to LDI triggers
Version 4	October 2019	Revised "Social, Environmental and Ethical Considerations" section in line with ESG compliance
Version 5	September 2020	Updated to ensure compliance with 1 October 2020 legislation