Syfer Technology Pension Plan

Statement of Investment Principles

January 2023

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1 Introduction

Plan background

- This Statement of Investment Principles (the “Statement”) details the principles governing investment decisions for the Syfer Technology Pension Plan (the “Plan”).
- The Plan:
  - operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries,
  - provides benefits calculated on a defined benefit (DB) basis,
  - is closed to new entrants.
  - is closed to future accrual.
- Buck is the “Investment Consultant” to the Trustees.
- The appointed “Investment Managers” for the Plan are:
  - Legal & General Investment Management Limited (“LGIM”)
  - M&G Investment Management Limited (“M&G”)
  - Insight Investment Management Limited (“Insight”)
  - Partners Group (“Partners”)

Regulatory requirements and considerations

- This statement covers the requirements of, and the Plan’s compliance with, the provisions of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005 as well as additional non-statutory information recommended to be included following the Myners review of “Institutional Investing in the UK”, the results of which were first published in 2001 (referred to as the “Myners Principles”).
- The Myners Principles require Trustee Boards to act in a transparent and responsible manner. The information set out in this document helps ensure that the Trustees are complying with this requirement.
- In respect of the additional voluntary contribution (AVC) arrangements provided on a money-purchase basis, the Trustees have taken into account the requirements and recommendations within the Pensions Regulator’s code of practice 13: Governance and administration of occupational trust-based schemes providing money purchase benefits and regulatory guidance. Information on the Trustees’ approach to investment matters within the AVC arrangements is included within this statement.

2 Statement of Investment Principles

Introduction

- This section of the Statement covers the requirements of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005.

- In accordance with section 35 of the Pensions Act 1995, the Trustees have reviewed and considered written advice from the Investment Consultant prior to the preparation of this Statement and have consulted the Sponsoring Employer.

- The Trustees will review this Statement, in consultation with the Investment Consultant and the Sponsoring Employer, at least once every three years, or more frequently if there are any significant changes in the Plan's circumstances. However, ultimate power and responsibility for deciding investment policy lies solely with the Trustees.

Key investment principles

Kind of investments to be held

- The Trustees have full regard to their investment powers under the Trust Deed and Rules and the suitability of the various types of investments, the need to diversify, the custodianship of assets and any self-investment.

- The Plan may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index-linked bonds, cash, property, private equity, hedge funds and pooled investment vehicles considered appropriate for tax-exempt registered occupational pension schemes. The Trustees have considered the attributes of the various asset classes (including derivative instruments), these attributes being:

  - security (or quality) of the investment;
  - yield (expected long-term return);
  - spread (or volatility) of returns;
  - term (or duration) of the investment;
  - exchange rate risk;
  - marketability/liquidity (i.e., the tradability on regulated markets); and
  - taxation.

- The Trustees consider all of the stated classes of investment to be suitable to the circumstances of the Plan.

Investment Decisions

- All investment decisions are taken by the Trustee Board as a whole. The Trustees believe that collective responsibility is the appropriate structure, given the size of the Trustee board. The Trustees will examine regularly whether additional investment training is desirable for any individual Trustee.

- All investment decisions relating to the Plan are under the Trustees' control without constraint by the Sponsoring Employer. The Trustees are obliged to consult with the Sponsoring Employer when changing this Statement.

- All day-to-day investment decisions are delegated to properly qualified and authorised Investment Managers of pension plan portfolios. Investment management agreements and/or an insurance contract have been exchanged with the Investment Managers, and are reviewed from time-to-time to ensure that the manner in which they make investments on the Trustees' behalf is suitable for the Plan, and appropriately diversified.

Investment Objectives and Suitability of Investments:

- The Plan's investment strategy has been agreed by the Trustees having taken advice from the Investment Consultant and takes due account of the Plan's liability profile along with the level of disclosed surplus or deficit.

- The Trustees' agreed investment strategy is based on an analysis of the Plan's liability profile, the required investment return and the returns expected from the various asset classes over the long-term. Long-term returns from equities are expected to exceed the returns from bonds and cash, although returns and capital values may demonstrate higher volatility. The Trustees are prepared to accept this higher volatility in order to aim to achieve the overall investment objectives.

- The Trustees' primary objectives are:

  – to provide appropriate security for all beneficiaries,

  – to achieve long-term growth sufficient to provide the benefits from the Plan, and

  – to achieve an appropriate balance between risk and return with regards to the cost of the Plan and the security of the benefits.

- The Trustees have translated their objectives into a suitable strategic asset allocation benchmark for the Plan, details of which are included in the appendices.

- In accordance with the Financial Services & Markets Act 2000, the Trustees are responsible for setting the general investment policy, but the responsibility for all day-to-day investment management decisions has been delegated to the Investment Managers, who are authorised under the Act. Details are included in the appendices.

- The Trustees are responsible for reviewing both the Plan's asset allocation and investment strategy as part of each Actuarial Valuation in consultation with the Investment Consultant. The Trustees may also reconsider the asset allocation and the investment strategy outside the triennial valuation period where necessary.

- The Trustees consider the Plan's current strategic asset allocation to be consistent with the current financial position of the Plan. This assessment is with reference to the Technical Provisions set out in the Plan's Statement of Funding Principles as at the latest Actuarial Valuation date of 5 April 2020.

Diversification

- The Trustees, after seeking appropriate investment advice, have selected a strategic asset allocation benchmark for the Plan (see Appendix 1).

- Subject to their respective benchmarks and guidelines (shown in Appendix 1) the Investment Managers are given full discretion over the choice of stocks and are expected to maintain diversified portfolios.

- The Trustees are satisfied that the investments selected are consistent with their investment objectives, particularly in relation to diversification, risk, expected return and liquidity.

- Given the size and nature of the Plan, the Trustees have decided to invest the Plan's assets on a pooled fund basis. All such investments are effected through a direct agreements with the Investment Managers and/or through an insurance contract.

- The Trustees are satisfied that the range of vehicles in which the Plan's assets are invested provides adequate diversification.

Risk

- The Trustees consider the main risk to be that of the assets being insufficient to meet the Plan's liabilities as they fall due. The Trustees have assessed the likelihood of undesirable financial outcomes arising in the future.

- Investment policies are set with the aim of having sufficient and appropriate assets to cover the Plan's Technical Provisions, and with the need to avoid undue contribution rate volatility.

- In determining their investment strategy, the Trustees received advice from the Investment Consultant as to the differing levels of investment risk for different asset allocations, relative to the Plan's liability profile. Taking this into account, along with the expected returns underlying the most recent actuarial valuation, the strategy outlined in Appendix 1 of this Statement has been adopted.

- Although the Trustees acknowledge that the main risk is that the Plan will have insufficient assets to meet its liabilities, the Trustees recognise other contributory risks, including the following. Namely the risk:

  - associated with the differences in the sensitivity of asset and liability values to changes in financial and demographic factors;

  - of the Plan having insufficient liquid assets to meet its immediate liabilities;

  - of the Investment Managers failing to achieve the required rate of return;

  - due to the lack of diversification of investments; and

  - of failure of the Plan's Sponsoring Employer to meet its obligations.

- The Trustees manage and measure these risks on a regular basis via actuarial and investment reviews, and in the setting of investment objectives and strategy.

- The Trustees undertake monitoring of the Investment Managers' performance against their targets and objectives on a regular basis.

- Each fund in which the Plan invests has a stated performance objective by which investment performance will be measured. These are shown in Appendix 1. Within each asset class, the Investment Managers are expected to maintain a portfolio of securities (or funds), which ensures that the risk being accepted in each market is broadly diversified.

- The divergence of the actual distribution of the investments from the benchmark weighting will be monitored by the Trustees, with assistance from the Investment Consultant. Any deviation from the target asset allocation will be discussed periodically with the Investment Consultant.

Expected return on investments

- The investment strategy is believed to be capable of exceeding, in the long run, the overall required rate of return assumed in the Scheme Actuary's published Actuarial Valuation report in order to reach a fully funded status under the agreed assumptions.

Realisation of investments

- In the event of an unexpected need to realise all or part of the assets of the portfolio, the Trustees require the Investment Managers to be able to realise the Plan's investments in a reasonable timescale by reference to the market conditions existing at the time the disposal is required and subject to the best interests of the Plan. The majority of the assets are not expected to take an undue time to liquidate. The long lease property and diversified alternatives allocations are less frequently traded and have long er notice and settlement periods than the equities, bonds and LDI.

Investment management monitoring

- The Trustees will assess the performance, processes and cost effectiveness of the Investment Managers by means of regular, but not less than annual, reviews of the results and other information, in consultation with the investment consultant.

- All investment decisions, and the overall performance of the Investment Managers, are monitored by the Trustees with the assistance of the Investment Consultant.

- The Investment Managers will provide the Trustees with quarterly statements of the assets held along with a quarterly performance report. The Investment Managers will also report orally on request to the Trustees.

- The Investment Managers will inform the Trustees of any changes in the internal performance objective and guidelines of any pooled funds used by the Plan as and when they occur.

- The Trustees will assess the quality of the performance and processes of the Investment Managers by means of a review at least once every three years in consultation with the Investment Consultant.

- The Trustees receive an independent investment performance monitoring report from the Investment Consultant on an annual basis.

- Appropriate written advice will be taken from the Investment Consultant before the review, appointment or removal of the Investment Managers.

The Trustees' policy in relation to their Investment Managers

- In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustees is to select Investment Managers that meet the primary objectives of the Trustees. As part of the selection process and the ongoing review of the Investment Managers, the Trustees consider how well each Investment Manager meets the Trustees' policies and provides value for money over a suitable timeframe.

How the arrangement incentivises the Investment Managers to align their investment strategy and decisions with the Trustees' policies

- The Trustees have delegated the day to day management of the Plan's assets to Investment Managers. The Plan's assets are invested in pooled funds which have their own policies and objectives and charge a fee, agreed with the Investment Managers, for their services. Such fees incentivise the Investment Managers to adhere to their stated policies and objectives.

How the arrangement incentivises the Investment Managers to engage and take into account financial and non-financial matters over the medium to long-term

- The Trustees, in conjunction with their Investment Consultant, appoint their Investment Managers and choose the specific pooled fund to use in order to meet specific Plan policies. They expect that their Investment Managers make decisions based on assessments about the financial performance of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Plan's performance) over an appropriate time horizon.

- The Trustees also expect their investment managers to take non-financial matters into account as long as the decision does not involve a risk of significant detriment to members' financial interests.

How the method (and time horizon) of the evaluation of the Investment Managers' performance and the remuneration for asset management services are in line with the Trustees' investment policies

- The Trustees expect their Investment Managers to invest the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation. The Trustees review the Investment Managers periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.

- If the Trustees determine that the investment manager is no longer managing the assets in line with the Trustees' policies, they will make their concerns known to the Investment Manager and may ultimately disinvest.

- The Trustees pay their investment managers a management fee which is a fixed percentage of assets under management for most of the funds invested in. There is a performance related fee payable in addition on the Partners Fund, while the Insight DI Fund management fees are a fixed percentage of the liabilities hedged.

- Prior to agreeing a fee structure, the Trustees, in conjunction with their Investment Consultant, consider the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the Investment Manager.

How the Trustees monitor portfolio turnover costs incurred by the Investment Managers, and how they define and monitor targeted portfolio turnover or turnover range

- The Trustees, in conjunction with their investment consultant, have processes in place to review investment turnover costs incurred by the Plan on an annual basis. The Trustees receive a report which includes the turnover costs incurred by the Investment Managers used by the Plan.

- The Trustees expect turnover costs of the Investment Managers to be in line with their peers, taking into account the style adopted by the Investment Managers, the asset class invested in and prevailing market conditions.

- The Trustees do not explicitly monitor turnover, set target turnover or turnover ranges. The Trustees believe that the Investment Managers should follow their stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique and bespoke in nature and there is the potential for markets to change significantly over a short period of time.

The duration of arrangements with investment managers

- The Trustees do not in general enter into fixed long-term agreements with their Investment Managers and instead retain the ability to change investment manager should the performance and processes of the investment manager deviate from the Trustees' policies. However, the Trustees expect their manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective.

Balance between different kinds of investments

- The Investment Managers will hold a diversified mix of investments in line with their agreed benchmark and within their discretion to diverge from the benchmark. Within each major market each manager will maintain a diversified portfolio of securities.

Financially material considerations

- The Trustees expect their Investment Managers, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.

- The Trustees have reviewed the Investment Managers' policies in respect of financially material considerations and are satisfied that they are consistent with the above approach.

Non-financial matters

- The Trustees' objective is that the financial interests of the Plan members is their first priority when choosing investments. The Trustees will take members' preferences into account if they consider it appropriate to do so.

- Non-financial matters may be taken into account if the Trustees have good reason to think that the members would share the concern; and that the decision does not involve a risk of significant detriment to members' financial interests.

Stewardship in relation to the Plan's assets

- The Trustees have a fiduciary duty to to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. The Trustees can promote an investment's long term success through monitoring, engagement and/or voting, either directly or through their investment managers.

Engagement and monitoring

- The Trustees' policy is to delegate responsibility for engaging and monitoring investee companies to the Investment Managers and they expect the Investment Managers to use their discretion to maximise financial returns for members and others over the long term.

Voting Rights attaching to Investments

- The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the Investment Managers and to encourage the managers to exercise those rights. The Investment Managers are expected to provide regular reports for the Trustees detailing their voting activity.

Additional voluntary contributions (AVCs)

- The Trustees have full discretion as to the appropriate investment vehicles made available to members of the Plan for their voluntary contributions. Only investment vehicles normally considered suitable for voluntary contributions will be considered by the Trustees, having taken appropriate written advice from their investment advisers.

- The Trustees make available investment options for the members' AVCs with Aviva Investors Pensions Limited.

3 Appointments & Responsibilities

This section sets out the key appointments and responsibilities with respect to the investment aspects of the Plan.

Trustees

The Trustees' primary responsibilities include:

- preparation of this Statement, reviewing its contents and modifying it if deemed appropriate, in consultation with the Sponsoring Employer and the Investment Consultant, at least every three years; the Statement will also be reviewed following a significant change to investment strategy and/or Investment Managers;
- appointing Investment Consultants and Investment Managers as necessary for the good stewardship of the Plan's assets;
- reviewing the investment strategy as part of each triennial Actuarial Valuation, and/or asset liability modelling exercise, and/or significant changes to the Plan's liabilities, taking advice from the Investment Consultant;
- assessing the processes (and therefore the performance) of the Investment Managers by means of regular, but not less than annual, reviews of information obtained (including investment performance);
- assessing the performance of the Investment Consultant on an annual basis;
- monitoring compliance of the investment arrangements with this Statement on a regular basis; and
- monitoring risk and the way in which the Investment Managers have cast votes on behalf of the Trustees in respect of the Plan's equity holdings.

Investment Consultant

The main responsibilities of the Investment Consultant include:

- assisting the Trustees in the preparation and periodic review of this Statement in consultation with the Sponsoring Employer;
- undertaking project work including reviews of investment strategy, investment performance and manager structure as required by the Trustees;
- advising the Trustees on the selection and review of Investment Managers,
- providing training or education on any investment related matter as and when the Trustees see fit; and

- monitoring and advising upon where contributions should be invested or disinvested on a periodic basis.

Investment Managers

The Investment Managers' main responsibilities include:

- investing assets in a manner that is consistent with the objectives set;
- ensuring that investment of the Plan's assets is compliant with prevailing legislation and the constraints detailed in this Statement;
- providing the Trustees with quarterly reports including any changes to their investment processes and a review of the investment performance;
- attending meetings with the Trustees as and when required;
- informing the Trustees of any changes in the fee structure, internal performance objectives and guidelines of any pooled fund used by the Plan as and when they occur; and
- exercising voting rights on shareholdings in accordance with their general policy.

Custodian

The custodians used are responsible for the safe-keeping of the Plan's assets.

- The custodianship arrangements are those operated by the Investment Managers for all clients investing in their pooled funds.

Administrator

The administrator's primary responsibilities are:

- The day to day administration of the Plan and the submission of specified statutory documentation, as delegated by the Trustees.
- The Plan's administrator is Buck.

Scheme Actuary

The Scheme Actuary's main responsibilities in respect of investment policy include:

- commenting on the suitability of the Plan's investment strategy given the financial characteristics of the Plan; and
- performing the triennial (or more frequently as required) Actuarial Valuation and advising on the Plan's funding level, and therefore the appropriate level of contributions in order to aid the Trustees in balancing short-term and long-term investment objectives.

The Scheme Actuary is Steven Roper of Buck.

Signed on behalf of the Trustees of the Plan on 29th January 2023

Appendix 1– Strategic Benchmark and Objectives

Plan's target asset allocation

The Plan's long-term target asset allocation is shown below:

Asset Type	Investment Style	Allocation (%)
Equity - UK	Passive	10.0
Equity - World ex-UK*	Passive	10.0
Diversified Alternatives	Active	15.0
Return enhancing		**35.0**
Property - Long Lease	Active	15.0
Long Dated Corporate Bonds	Active	17.0
Index Linked Gilts	Passive	8.0
Liability Driven Investment ("LDI") Funds	Active	20.0
Cash	Active	5.0
Risk reducing		**65.0**
Total		**100.0**

**The Trustees have the flexibility to currency hedge between 0% and 100% of the Plan's overseas equity exposure having taken advice from the Investment Consultant*

Benchmarks and performance objectives

Benchmark indices and relative performance objectives for each of the funds in which the Plan is invested are outlined below. All performance targets are gross of fees unless otherwise stated.

Manager	Fund	Benchmark Index	Performance Objective % p.a.
LGIM	UK Equity Index	FTSE All Share	±0.25 for two out of three years
	World ex-UK Equity Index	FTSE World ex-UK	±0.50 for two out of three years
	World ex-UK Equity Index – GBP Hedged	FTSE World ex-UK – GBP Hedged	±0.50 for two out of three years
	Active Corporate Bonds Over 10 year Fund	iBoxx £ Non-Gilts Over 10 Year Index	0.75 over a three year rolling period
	All Stocks Index-Linked Gilts Index Fund	FTSE Actuaries UK Index-Linked Gilts All Stocks Index	±0.25 for two out of three years
Partners Group	Partners Fund	n/a*	8.0 -12.0 IRR (net)
M&G	Secured Property Income Fund	n/a*	RPI + 3 (net)
Insight	Enhanced Selection Funds	Custom**	Custom**
	Liquidity Plus Holding Fund	SONIA	To provide income together with stability of capital

** The Partners Fund and M&G Secured Property Income Fund have no official benchmark.*

*** The benchmark for the Enhanced Selection Funds is a stream of annual cash flows with duration of approximately 20 years. The performance objectives for the Funds are to outperform the benchmark returns measured on both a gilts basis and a swaps basis over the long term. The Funds include Real and Nominal LDI funds.*

Appendix 2 – Fees

Investment Manager fees

Manager	Fund	Investment Style	Management Fee % p.a.
LGIM[1]	UK Equity Index	Passive	AUM £0 - £10.0m 0.100 £10.0m - £20.0m 0.075 £20.0m - £50.0m 0.060 £50.0+ 0.050
	World ex-UK Equity Index	Passive	AUM £0 - £5.0m 0.220 £5.0m - £15.0m 0.190 £15.0m - £50.0m 0.160 £50.0+ 0.130
	World ex-UK Equity Index – GBP Hedged	Passive	AUM £0 - £5.0m 0.243 £5.0m - £15.0m 0.213 £15.0m - £50.0m 0.183 £50.0+ 0.153
	Active Corporate Bond Over 10 Year Fund	Active	0.200
	All Stocks Index-Linked Gilts Index Fund	Passive	AUM £0 - £5.0m 0.100 £5.0m - £10.0m 0.075 £10.0m - £30.0m 0.050 £30.0+ 0.030
Partners Group	Partners Fund	Active	1.500[2]
M&G	Secured Property Income Fund	Active	0.500
Insight	Enhanced Selection Funds	Active	AUM £0 - £100.0m 0.12[3]
	GBP Liquidity Plus	Active	0.100

1. *LGIM charge an additional flat fee of £2,250 p.a.*
2. *A performance fee of 12.5% also applies*
3. *Fees are based on liabilities hedged.*

Investment Consultant fees

The Investment Consultant provides agreed services on a time cost basis, which is considered the most appropriate basis as the services required fluctuate year on year.

The basis of remuneration is kept under review.