

1 Introduction

- 1.1 This Statement sets out the principles governing decisions concerning investments for the Beatson Clark Pension Scheme (the Scheme) in accordance with the requirements of the Pensions Acts 1995 & 2004 and the Occupational Pension Schemes (Investment) Regulations 2005. It is subject to periodic review by the Trustee, Beatson Clark (Trustees) Limited.
- 1.2 Before finalising this Statement the Trustee has, as required by section 35(3) of the 1995 Act and the 2005 Regulations, considered advice from its investment adviser, who they believe has the appropriate knowledge, ability and experience of the management of the investments of schemes such as this, to enable them to provide that advice. The Trustee has also taken account of the liability profile and projected cash flows provided by their advisers.
- 1.3 Following this the Trustee then asked Barnett Waddingham to prepare a Statement of Investment Principles, for consideration at its next meeting..
- 1.4 The Trustee has consulted Beatson Clark Limited as the Principal Employer under the Scheme, and they have agreed the approach taken in this Statement.
- 1.5 The Scheme provides Defined Benefits (DB) for members and their dependants in accordance with its Trust Deed and Rules (the Rules). This category is closed to future accrual, with all employees having a separate Defined Contribution (DC) arrangement.
- 1.6 This Statement is consistent with the investment powers of the Trustee as set out in the Rules and the Trustee will refer to the Rules for any clarification of their investment powers. (See Appendix 1.) Neither this Statement nor the Rules restricts the Trustee's investment powers by requiring the consent of the Principal Employer.
- 1.7 With the exception of cash, the Trustee does not conduct any day-to-day management of any of the Scheme's investments. Such management is delegated to appropriately qualified investment managers.

2 Choosing Investments

- 2.1 The Trustee expects any fund manager appointed by them to have regard to the need for diversification of investments, in so far as this is appropriate to the circumstances of the Scheme.
- 2.2 Before investing in any manner the Trustee will obtain and consider advice from their appointed Investment Adviser and/or their appointed fund managers as appropriate on the suitability of such investment and its appropriateness in accordance with this Statement.
- 2.3 The Trustee currently uses a mix of funds with M&G, Standard Life and Legal & General Investment Managers.

3 Governance

- 3.1 The Trustee of the Scheme is responsible for the investment of the Scheme assets. The Trustee takes some decisions and delegates others. When deciding which decisions to take and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision-making structure:

Trustee

- Set structures and processes for carrying out its role
- Select and monitor asset allocation
- Select and monitor investment managers
- Make day to day decisions relevant to the operation of the Scheme's investment strategy
- Consider new investment ideas and approaches
- Consider comments made by its investment adviser and the Newship Group Pension sub Committee.

Investment Adviser

- Advises on the investment of the Scheme assets, including implementation

Fund Managers

- Operate within the terms of this Statement and their written contracts

- Provides Advice to the Trustee on the views put forward by the Pension sub Committee.
- Advises on this Statement
- Arranges training as required to Trustee directors
- Select individual investments with regard to their suitability and diversification
- Advise the Trustee on the suitability of its benchmarks

4 Compliance with the Statutory Funding Objective (SFO)

- 4.1 The Trustee has completed its Statement of Funding Principles in accordance with the SFO and have established that the Employer has a strong Covenant with the intention and ability to fund for the benefits as they fall due.
- 4.2 The general funding policy is:
- 4.2.a to seek to establish and maintain the SFO funding level at 100% or above within the period ending 30 June 2029;
 - 4.2.b to give consideration to altering the investment strategy should the Trustee be advised, at a future stage, that not to do so might involve an unacceptably high risk that the SFO funding level might be unstable and adversely threatened; and
 - 4.2.c to invest the assets such that the risk of deterioration of the SFO funding level to below 100% is balanced against the risk of not achieving the other objectives set out in this Statement and the Statement of Funding Principles.

5 Types of Investments to be Held

- 5.1 The Scheme's assets have increased to some £109 million. Members no longer accrue benefits.
- 5.2 At the present time there are 235 Deferred and 606 Pensioner members giving a total of 841. The membership profile suggests that the longer term investment strategy to match this liability profile would be to invest in the following proportions.
- UK equities (or similar types of assets) 40% to 60%,
 - UK bonds (or similar types of assets) 60% to 40%
- 5.3 However to take advantage of wider investment opportunities in the UK and overseas and to allow for temporary anomalies in investment markets, the tactical asset allocation will be as follows (expressed as a percentage of the market value of the total assets including cash at bank):

Asset Class	Current SIP	Actual Q2 2019
• UK equities	0 - 45%	29.3%
• Overseas equities	0 - 35%	20.2%
• UK and Overseas bonds	0 - 35%	29.4%
• UK Fixed Interest Gilts	0 - 25%	0.7%
• Index Linked Gilts	0 - 25%	11.1%
• Property	0 - 20%	2.2%
• Cash & Derivatives	0 - 20%	4.8%
• Other	0 - 20%	2.3%
• NOTE: the above are aspirations because of the funds' nature	Total	100%

- 5.4 The Trustee has confirmed that other than for reasons of portfolio insurance to help reduce volatility there will be no direct investment in venture capital.
- 5.5 There will normally be no direct investment in property, and no investment in unquoted companies or illiquid assets.
- 5.6 There will generally be no self-investment in the Employer.

6 Fund Choice

- 6.1 The funds currently in use are:-

LGIM	M&G
North America Equity Index	All Stocks Corporate Bond Fund
North America Equity Index - GBP Hedged	Total Return Credit Investment
Europe (ex UK) Equity Index	Cash Fund
Europe (ex UK) Equity Index - GBP Hedged	UK Property Fund
Asia Pacific exJap Equity Index	UK Index Linked Fund
A/Pac exJap Dev Index - GBP Hedged	North America Fund
World Emerging Markets Equity Index	Pacific Basin Ex Japan Fund
	Europe Passive Fund
	UK Equity Fund

6.2 The Trustee receives quarterly updates from their Investment Adviser.

7 Concentration of Investments

7.1 In order to avoid undue concentration in any particular type or sector of investment, where segregated funds are used, the Trustee will impose on any fund manager appointed by it such requirements to diversify and such restrictions as it deems appropriate.

8 Risk

8.1 The Trustee has considered the following risks which influence the investment approach:

- the risk of deterioration in the Scheme's funding level over the long term
- the risk of a shortfall of assets relative to the PPF liabilities
- the risk of the SFO ratio falling below 80%
- the risk of the Employer being unable to support the Scheme
- the risk that the fund managers will not achieve the rate of return expected by the Trustee
- the risk that the investment return will not be sufficient to keep pace with the growth in the accrued liabilities and in particular price and salary inflation
- the risk of mismatching the profile of the assets with the liabilities
- Risk of fund managers not meeting their objectives ("manager risk"). This risk is considered by the Trustee and its advisers both upon the initial appointment of the fund manager and on an on-going basis thereafter.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

8.2 These risks are considered as part of each normal strategy review. In addition, the Trustee measures risk, in terms of the performance of the assets compared to the benchmarks, quarterly, along with monitoring any significant issues with the fund managers that may impact their ability to meet the performance expectations.

9 Investment Objectives

9.1 The primary investment objective of the Scheme is to ensure that the existing assets together with stable future contributions will be sufficient to provide for the benefits as they fall due.

9.2 It is the Trustee's intention to follow a stable investment strategy to achieve:-

- a below average risk of reducing the security of members' accrued benefits
- a stable long-term funding rate

9.3 The fund managers have self-imposed targets which are endorsed by the Trustee. The Trustee have elected where possible to measure performance against each funds published benchmark.

9.4 The Trustee expects the long-term return on funds that invest predominantly in equities to exceed price inflation and general salary growth. The long term returns on the bond and cash investments are expected to be lower than returns on funds that invest predominantly in equities. However, bond investments are expected to broadly match the price of annuities, offering some protection in the amount of any secured pension for members closer to retirement. Cash/Deposit style funds will provide protection against changes in short-term capital values, and may be appropriate for that part of members' retirement benefits that are taken in the form of tax-free cash.

10 Realisation of Investments

10.1 Subject to any cash requirements of the Scheme to meet benefit payments, the realisation of investments is delegated to the appointed fund managers as part of their day-to-day management activities. The Trustees advise which funds to disinvest from.

11 Environmental, social and governance (ESG) criteria

11.1 The Trustees believe that environmental, social and governance factors are financially material and therefore have a policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments.

11.2 The Trustees will be reliant on the information presented by the investment manager and their investment advisors regarding the extent to which an investment manager allows for ESG in making their investment decisions. Furthermore, an investment manager's excellence in this area will not take precedence over other factors, including (but not limited to) historical performance or fees."

12 Corporate Governance

12.1 The Trustee expects the Investment Manager to exercise the rights attaching to investments on behalf of all participants in the manner which supports the investment and performance objectives of the Scheme.

13 Additional Voluntary Contributions (AVCs)

13.1 The Trustee has full discretion as to the appropriate vehicles made available for the investment of members' AVCs. Only investment vehicles considered suitable for AVC investments are considered by the Trustee, having taken appropriate advice.

13.2 The Trustee reviews its policy regarding the investment of AVCs at annual intervals and takes account of the returns achieved for members and any comments from members.

13.3 The present AVC providers are London Life and Prudential.

14 Myners Principles

14.1 The Trustee notes the Myners principles and follows them to the extent that they are relevant to the size of the Scheme, nature of the liabilities and covenant of the Employer. The main investment principles set out in the Myners report are as follows:

- only those with sufficient expertise should take investment decisions
- clear objectives should be set for fund managers relevant to the circumstances of the Scheme
- consider asset classes reflecting the Scheme's own characteristics and not just the average asset allocation among other funds
- have a clear understanding of transaction costs involved
- operate a formal process of performance measurement.

15 Compliance

15.1 The Trustee will require any fund manager appointed by them to report at regular intervals (at least half yearly) to the Trustees on that manager's stewardship of the share of the Scheme assets under the manager's control.

- 15.2 The Trustee will review this Statement annually in response to any material changes to any aspects of the Scheme, its liability profile, funding position, the attitude to risk of the Trustee and the Employer and any weakening of the Employer's covenant, which it judges to have a bearing on the stated Principles.
- 15.3 The Trustee is aware of the potential disruption to anticipated cash flow projections that could arise from members seeking to transfer their scheme benefits to a DC arrangement in order to access Pension Flexibilities. No particular action is to be taken at this time but the demand and effect on the fund will be kept under review.
- 15.4 A review of this Statement will coincide with the triennial actuarial valuation. Any such review will be based on written, expert investment advice and will be in consultation with the Employer. Copies of the amended Statement will be sent to the appointed Investment Adviser and the Scheme Actuary.

Signed for and on behalf of the Trustee _____ Date: _____

Appendix 1 – Investment Clause in Trust Deed Dated 11 September 2013

18.9 Investments

18.9.1 The Participating Employers shall pay or cause to be paid to the Trustees at least the contributions to be contributed in accordance with the Rules together with any expenses of administration and tax which in the opinion of the Trustees cannot be met out of the assets of the Scheme without prejudicing the benefits to be provided.

18.9.2 The contributions to be paid to the Trustees in accordance with, or for the purposes of the Scheme, and all investments for the time being representing the same and all income thereon, and all monies derived therefrom, shall be vested in the Trustees upon irrevocable trust to be held, applied and disposed of for the purposes of the Scheme in accordance with its provisions.

18.9.3 For the purposes of the Scheme, the Trustees may, anywhere, themselves or with others, acquire, hold, maintain, improve or dispose of any property, participate in or finance any company or business, deposit (whether or not at interest), lend or borrow money or other property, mortgage, charge or encumber any assets or enter any contract or risk any other type of investment as though they were absolutely and beneficially entitled to the assets.

18.10 Investment – particular cases

Under Rule 18.9.3 (but, except under Rule 18.10.6, without prejudice to its generality):

18.10.1 Types of Property

Property includes any interest in property, and property may be real or personal, moveable or immovable, tangible or intangible, income producing or not and may consist of policies of insurance, units in collective funds (including units in funds only available to tax-exempt investors) or, subject to section 40 of the 1995 Act, employer-related investments (as defined in that section);

18.10.2 Application of Assets

Assets may be applied or encumbered for any purpose which will or may benefit the Scheme, whether or not this may be regarded as investment or may involve a risk of loss, and as if the assets were beneficially owned by the Trustees personally;

18.10.3 Borrowing

Borrowing may be for any purpose (including the acquisition of assets, which may be charged to secure the borrowing, except in respect of the AVCs);

18.10.4 Policy to secure benefits

Benefits may be secured by an Insurance Policy taken out by the Trustees;

18.10.5 Nominee/custodian holdings

Assets may be acquired (and/or held) by nominees or custodians;

18.10.6 Asset pooling

Assets may (so long as the Scheme's status as a Registered Scheme is not prejudiced) be pooled with those of other retirement benefits or personal pension schemes.

18.10.7 No need to consult beneficiaries

There is no obligation to consult (or give effect to the wishes of) Beneficiaries and section 11(1) of the Trusts of Land and Appointment of Trustees Act 1996 does not apply to the Scheme.

18.10.8 Power to underwrite

The Trustees shall have power to enter into underwriting or sub-underwriting contract on such terms as they (in their absolute discretion) think fit.

18.10.9 Power to Insure

The Trustees shall have the power to insure (up to an amount) any assets of the Scheme against any loss, damage or depreciation (from whatever cause).

18.10.10 Donations, bequests and gifts

The Trustees shall have power to accept any donation, transfers, bequests or gifts for any purpose of the Scheme.