

# THE IDEAL STELRAD GROUP PENSION CHAIR'S STATEMENT 2021

## INTRODUCTION

The Trustees of the Ideal Stelrad Group Pension Plan (the Plan) are pleased to present their annual Chair's statement on governance (the 'Statement') as required under legislation set out in regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the 'Administration Regulations'), as amended by the Occupational Pension Plans (Charges and Governance) Regulations 2015. The Statement covers the annual period up to 31 March 2021.

The Plan was established in September 2001 and the Defined Contribution (DC) section is administered by Standard Life Assurance Limited (SLAL) who provide all member services as well as providing members with a wide range of support, whilst the Defined Benefit (DB) section, which closed in August 2011, is administered by Capita. The Trustees have the final decision on appointments of advisers and the services and tasks delegated to them.

## DEFAULT INVESTMENT ARRANGEMENTS

In accordance with the Administration Regulations, the Trustees are required to append the latest copy of the Statement of Investment Principles (the 'SIP') prepared for the Plan under Section 35 of the Pensions Act 1995 (the '1995 Act') and regulation 2/regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 (the 'Investment Regulations').

The default fund performance is reviewed at each meeting of Trustees and the SIP is reviewed at least tri-annually. A full review of the default arrangements was conducted in 2018 and approved by the Trustees at a meeting on 7 November 2018. The next formal review of the default is planned to be undertaken in November 2021, unless their advisers recommend to the Trustees an earlier review due to performance or manager concerns. The Trustees working with their investment advisor updated the SIP in September 2019, to record a change to one of the funds in the underlying blend (details below) and to take into account the Trustees considerations of Environmental, Social and Governance (ESG) responsibilities in selecting their investment funds and managers. The review and decision to change the Fund had taken place in the previous year and was described in the previous Chair Statement.

In addition to a range of standalone investment fund options, the Trustees make available the Punter Southall 2 Flexible Retirement Lifestyle profile, which is used as the default strategy for former members of the DB section. For all other DC members of the Plan the Punter Southall 3 Flexible Retirement Lifestyle profile is the default. This reflects the member default investment profiles under the Ideal Stelrad Group Pension Plan (ISGPP) prior to September 2011.

Typically, a proportion of members will actively choose the default option because they consider it is most appropriate for them. However, the vast majority of DC scheme members do not make an active investment decision and are invested in this option by default.

In recognition that some members may not wish to make their own investment decisions, the Trustees developed the Lifestyle options to ensure an adequate degree of diversification and to help ensure that the strategy is suitable for the average member over their working career. In particular:

- With the arrival of pension freedoms in April 2015, the Trustees developed in conjunction with their advisers, three core lifestyle strategies on a Balanced (level 2), Cautious (level 1), and Adventurous (level 3) basis to provide members with access to a Lifestyle strategy, but in a manner that broadly matches their individual attitude to risk. Within each lifestyle strategy members are then able to select different targeted investment strategies to broadly match the new benefit options under DC schemes available under HMRC rules from April 2015.
- As noted above, for former members of the DB section of the Ideal Stelrad Group Pension Plan, the default strategy is Punter Southall 2 Flexible Retirement Lifestyle Profile (formerly the Ideal Stelrad Group ('ISG') Balanced Lifestyle) whilst for former members of the DC section of the Ideal Stelrad Group Pension Plan, in order to provide continuity with the previous universal default option of the Ideal Stelrad Group Pension Plan, the default is the Punter Southall 3 Flexible Retirement Lifestyle (formerly the ISG Adventurous Lifestyle Profile).

- Under the above profiles, the members' investments are initially automatically invested in either the Punter Southall Blended Investment 2 Pension Fund or Punter Southall Blended Investment 3 Pension Fund as appropriate. Once within seven years of a member's selected retirement age, investment is gradually phased from the above funds into the Punter Southall At Retirement (Flexible Retirement) Pension Fund. Further information on the profiles, including details of the proportions invested in each fund through the seven year phasing period are provided in the SIP (Appendix 1).

A full review of the default arrangements was conducted in 2018 and approved by the Trustees at a meeting on 7 November 2018. Full details are included in the "Default investment strategy review – October 2018" report, but in summary the review concluded that overall the default investment offering continues to meet its objective, remains appropriate and suitable for the membership and how they are expected to take their benefits, and is achieving the standards laid out in the Department of Work and Pensions (DWP) guidance and the Pensions Regulator's Code of Practice.

One of the main contributing factors to there not being a need to amend the default strategies is the stability of the membership. That is, the scheme has been closed to new entrants since 2011 and other than age increases, which the lifestyle profile phasing was designed for, and increasing member fund sizes, there has not been a material change to member demographics. The increasing member fund sizes are in-line with previous expectations.

The scheme is a qualifying scheme for the purposes of the Pensions Act 2008, but was closed to new members in 2011, and accordingly is not used for auto-enrolment. The employer fulfils their auto-enrolment duties, including any opt-in and/or re-enrolment, under a separate stand-alone pension scheme.

The review of default arrangements assessed the investment performance in recent periods, taking into account the expected performance, investment market conditions, volatility experienced and the blend of assets between asset classes.

The Trustees' advisers confirmed that a separate review of the underlying blends had also been undertaken under the Investment Management Agreement (IMA) between Punter Southall Aspire and SLAL. The principle outcome of that review was the removal of the Standard Life Global Absolute Returns (GARS) fund and its replacement by the Invesco Global Targeted Returns fund. SLAL made the change on 12 November 2018.

At the same time, due to requirements around their internal investment governance processes, SLAL advised from Q4 2018 they will formally report quarterly performance against a composite benchmark. Therefore, in order to ensure valid ongoing quarterly comparison against the Trustees stated CPI+ objectives for performance documented in their SIP, the Trustees receive separate reporting from their advisers, which confirmed performance was satisfactory and in line with the objectives set.

As noted above, the Trustees capture the above in their SIP, and for ease of reference, a copy of the latest SIP follows this Chair's Statement as appendix 1.

The Trustees and their advisors keep the performance of the investment funds under review on a quarterly basis.

## **CORE FINANCIAL TRANSACTIONS**

The Trustees are required to make sure that core scheme financial transactions are processed promptly and accurately. These include, amongst other matters, transactions such as the investment of contributions, transfers of members' assets to and from the Plan, switching investments within the Plan and payments out of the Plan. The Trustees monitor these together with their advisers and SLAL Assurance Limited, therefore ensuring two individuals or more oversee all financial transactions through:

- i. Quarterly governance reports which detail the performance of the administrators, Capita and SLAL, against their standard Service Level Agreements (SLA). These provide information to the Trustees on how promptly transactions and member enquiries are completed with a particular focus on the core financial transactions described above and claims (retirements and deaths).

It is worth noting that contribution and investment transactions are processed based on the date completed instructions are received by SLAL, with SLAL accepting the risks and costs associated with any internal administration delays.

- ii. Having the Scheme Auditor independently test a sample of financial transactions for accuracy and timeliness as part of the annual audit process
  - Reviewing any complaints received from the membership to see if there are any concerns with the administration provided by Capita and SLAL.
  - Capita and SLAL have their own internal quality control processes to ensure the timeliness and accuracy of transactions.
  - The Trustees also ensure that the Plan's bank account is monitored, and that all transactions carried out by SLAL as the Plan administrator have a robust checking process in place.
  - Site visits to the administrator's offices by Trustees and their advisers

Punter Southall also oversee the performance of SLAL and raise any concerns with the Trustees. There were no significant or material issues reported during the year, but should they occur these would be reported and discussed with the Trustees, escalated via Punter Southall and named relationship managers at SLAL.

## **CHARGES AND TRANSACTION COSTS**

There are a range of charges for the default strategies depending on the stage of the lifestyle and therefore the investments that are held for members.

The range of charges for default investment funds are 0.37% p.a. (Punter Southall 3 Flexible Retirement Lifestyle Profile) to 0.49% p.a. (Punter Southall 1 Flexible Retirement Lifestyle Profile) of each member's fund in the growth phases to 0.29% p.a. in the at retirement phase (for both profiles). The Trustees can confirm that all the default funds were within the charge cap of 0.75% p.a. of funds under management since April 2015.

The table below details the proportions invested in each fund and the charges for both of the default strategies at each stage of the lifestyle:

Years to selected retirement date	7+	6	5	4	3	2	1	0
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**Punter Southall 2 Flexible Retirement Lifestyle Profile<sup>1</sup>**

SL Punter Southall Blended Investment 2 Pension Fund	100%	86%	71%	57%	43%	29%	14%	0%
SL Punter Southall At Retirement (Flexible Retirement) Pension Fund	0%	14%	29%	43%	57%	71%	86%	100%
Charges (%p.a.)	0.45%	0.42%	0.40%	0.38%	0.35%	0.33%	0.31%	0.29%

**Punter Southall 3 Flexible Retirement Lifestyle Profile<sup>2</sup>**

SL Punter Southall Blended Investment 3 Pension Fund	100%	86%	71%	57%	43%	29%	14%	0%
SL Punter Southall At Retirement (Flexible Retirement) Pension Fund	0%	14%	29%	43%	57%	71%	86%	100%
Charges (%p.a.)	0.37%	0.35%	0.34%	0.33%	0.32%	0.31%	0.30%	0.29%

The range of charges for the self-select funds is 0.28% p.a. to 0.57% p.a. (see the 'Core range of funds' table below).

The Trustees have approached Punter Southall and SLAL to obtain details of transaction costs applicable to the investment funds. The new rules requiring disclosure of transaction costs for funds used by workplace pensions came into force on 3 January 2018 and require that providers and investment managers must respond, within a reasonable time period and in a reasonably acceptable format, to requests for transaction costs from the Trustees of occupational pension schemes such as the ISGPP.

In response to such requests SLAL have provided annualised transaction cost values calculated over a rolling 12-month period.

The Total Expense Ratio consists principally of the provider's charges for administration, member communication and education services, the investment platform manager's annual charge for managing and operating a fund(s), it also includes additional expenses (such as custodian fees) incurred by the manager. The costs for other services provided by the Plan relating to pension consultancy services provided to the Trustees are paid for by the Plan's sponsor.

Below, we set out the Total Expense Ratio for each blended fund within the default investment strategy along with the Core fund range. The transaction costs incurred are in addition to the Total Expense Ratio.

<sup>1</sup> The Punter Southall 2 Flexible Retirement Lifestyle Profile is the default for former members of the DB section.

<sup>2</sup> The Punter Southall 3 Flexible Retirement Lifestyle Profile is the default for former members of the DC section

	Default	Annual Total Expense Ratio)	Annual impact of charges on £1,000	Annual total transaction costs incurred
<b>Blended funds</b>				
SL Punter Southall Blended Investment 1		0.43%	£4.30	0.2441%
SL Punter Southall Blended Investment 2	Yes <sup>3</sup>	0.40%	£4.40	0.2136%
SL Punter Southall Blended Investment 3	Yes <sup>4</sup>	0.34%	£3.40	0.1762%
SL Punter Southall At Retirement (Flexible)	Yes <sup>5</sup>	0.29%	£2.90	0.0327%
SL Punter Southall At Retirement (Annuity)		0.29%	£2.90	0.0513%
SL Punter Southall At Retirement (Drawdown)		0.29%	£2.90	0.1561%
SL Punter Southall At Retirement (Lump sum)		0.28%	£2.80	0.0692%
<b>Core range of funds</b>				
SL BlackRock World ex UK Equity Tracker		0.28%	£2.80	0.0407%
SL BlackRock Over 15 Year Corporate Bond		0.29%	£2.90	-0.0249%
SL BlackRock Managed (50:50) Global Equity		0.29%	£2.90	0.1460%
SL HSBC Islamic Global Equity Index		0.57%	£5.70	0.0246%
SL iShares Index Linked Gilt Index		0.28%	£2.80	0.0140%
SL iShares >15 Year Gilt Index		0.29%	£2.90	-0.0273%
SL iShares UK Equity Index		0.28%	£2.80	0.3829%
Standard Life Deposit and Treasury		0.28%	£2.80	0.0692%
Standard Life Ethical		0.28%	£2.80	0.2099%
Standard Life Property		0.30%	£3.00	0.1688%

The Plans investment platform manager does not apply an explicit charge to switch investments between unitised funds.

The investment performance of the funds is calculated after transaction costs and therefore, in addition to the above, the performance of the funds after transaction costs are reviewed on a quarterly basis.

The Trustees will continue to request transaction cost information and will provide further details in the Chairman's Statement in the 2022 Annual Report as available.

The Trustees are also required to undertake an assessment of Good Value for the Plan taking into account all charges and transaction costs.

<sup>3</sup> SL Punter Southall Blended Investment 2 is the growth phase fund of the Punter Southall 2 Flexible Retirement Lifestyle Profile which is the default for former members of the DB section

<sup>4</sup> SL Punter Southall Blended Investment 3 is the growth phase fund of the Punter Southall 3 Flexible Retirement Lifestyle Profile which is the default for former members of the DC section

<sup>5</sup> SL Punter Southall At Retirement (Flexible) is the retirement phase fund for both of the above lifestyle profiles

## ILLUSTRATIVE IMPACT OF CHARGES

We have provided illustrations showing the likely impact of charges compared to having no charges for two example members, one being representative of the youngest members of the scheme with the longest terms to retirement (cohort 1) and the other being representative of the average member of the scheme with typical terms to retirement (cohort 2). In addition, we have provided three sets of illustrations for each cohort to cover the range of charges members could incur, including the most popular investment option (SL Punter Southall Blended Investment 2 Pension Fund) and the lowest and highest cost/risk options as detailed in the tables below.

These illustrations are projections of what could happen for example members. They are not personal to a specific member of the scheme and are not a promise or guarantee to deliver the values shown.

### Cohort 1

Assuming the member is aged 30, with a current fund value of £9,700, a pensionable salary of £6,000 (post deduction of the 2021/22 lower earnings limit), standard contribution rates as per the table below and taking benefits at age 65 – representative of the youngest members of the scheme.

Cohort 1 Year	SL Punter Southall Blended Investment 2 Pension Fund		Standard Life Deposit and Treasury Fund		SL HSBC Islamic Global Equity Index Fund	
	Before Charges	After Charges	Before Charges	After Charges	Before Charges	After Charges
1	£10,500	£10,500	£10,100	£10,100	£10,500	£10,500
3	£12,400	£12,200	£11,200	£11,000	£12,400	£12,200
5	£14,500	£14,000	£12,200	£12,000	£14,500	£14,100
10	£21,300	£20,200	£15,800	£15,400	£21,300	£20,300
15	£29,600	£27,500	£19,500	£18,800	£29,600	£27,700
20	£41,200	£37,600	£24,900	£23,900	£41,200	£38,000
25	£55,200	£49,500	£30,500	£29,100	£55,200	£50,000
30	£73,700	£65,100	£38,500	£36,600	£74,200	£66,300
35 (NRD)	£88,300	£77,700	£46,800	£44,300	£97,000	£85,500

## Cohort 2

Assuming the member is aged 50, with a current fund value of £40,000, a pensionable salary of £16,000 (post deduction of the 2018/19 lower earnings limit), standard contribution rates as per the table below and taking benefits at age 65 - representative of the typical member of the scheme.

Cohort 2 Year	SL Punter Southall Blended Investment 2 Pension Fund		Standard Life Deposit and Treasury Fund		SL HSBC Islamic Global Equity Index Fund	
	Before Charges	After Charges	Before Charges	After Charges	Before Charges	After Charges
1	£43,900	£43,600	£42,200	£42,100	£43,900	£43,600
3	£52,200	£51,200	£46,900	£46,400	£52,200	£51,300
5	£61,100	£59,400	£51,600	£50,800	£61,100	£59,500
10	£90,800	£86,300	£67,900	£66,200	£91,500	£87,300
15 (NRD)	£116,000	£109,000	£84,900	£82,000	£128,000	£119,000

<b>Key Assumptions</b>  Applies to cohorts 1 and 2.	Illustration based on 100% invested in <b>SL Punter Southall Blended Investment 2 Pension Fund</b> – the most popular investment option	Illustration based on 100% invested in <b>Standard Life Deposit and Treasury Fund</b> – representative of one of the lowest cost and risk funds available under this scheme	Illustration based on 100% invested in <b>SL HSBC Islamic Global Equity Index fund</b> – representative of one of the highest cost and risk funds available under this scheme
	<b>Growth Rates</b> SL Punter Southall Blended Investment 2 Pension Fund (BBEG) – 5.00% p.a. SL Punter Southall At Retirement (Flxbl Ret) Pn Fd (NBAJ) - 2.00% p.a.	<b>Growth Rates</b> SL Deposit and Treasury Fund (G4) - 1.00% p.a.	<b>Growth Rates</b> SL HSBC Islamic Global Equity Index Pension Fund (JB) - 5.00% p.a.

Contribution Rates	Age 18-24	Age 25 - 34	Age 35 - 44	Age 45 - 54	Age 55 - 64	Age 65 - 69	Age 70 - 75
	Employer	4%	6%	9%	13%	18%	21%
Employee	4%	4%	4%	4%	4%	4%	4%
<b>Total</b>	<b>8%</b>	<b>10%</b>	<b>13%</b>	<b>17%</b>	<b>22%</b>	<b>25%</b>	<b>28%</b>

Supplementary to the above position, members also benefit from the fact that the Principal Employer pays in full for all professional, legal and levy costs connected with the running of the Plan together with the cost of providing very competitive life cover through a group insured arrangement. Additionally the Principal Employer pays in full for the provision of 'Aspire to Retire', a communication and education programme for members focussed upon lifestyle and money, planning for the future and accessing savings, as well as provision of guidance and advice on retirement. This therefore enhances further the benefits of membership of the Plan at no cost to the members.

## **GOOD VALUE FOR MONEY**

In accordance with regulation 25(1)(b), as part of our assessment of charges we have considered the extent they offer good value to members.

Our assessment is based on member borne charges only, i.e. total expense ratios and transaction costs. Additional costs associated with running the scheme, e.g. day to day scheme administration, governance and professional advisers to the employer and Trustees, that are met by the employer are not included in this assessment.

Our assessment, which included dialogue with our advisers Punter Southall, focussed on a number of key areas where costs are derived in relation to the range and quality of services provided to members, and included:

- Scheme management and governance;
- Administration services provided directly and indirectly to members;
- Investment governance including the quality of investment management and investment performance, as well as the level of charges borne by members; and
- The quality and timeliness of member communications, support tools, and broader information available via the Plan's own website hosted by SLAL on the Trustees' behalf

The size of the charge rebate negotiated by Punter Southall Aspire with SL on behalf of the Trustees means that, for a scheme of this size, the charges paid by the members are extremely good value and competitive with charges paid by schemes with vastly larger assets and annual premiums. The rebate is reviewed and benchmarked at least yearly, typically as part of the annual scheme governance process.

However, determining good value for money (for members) is primarily a judgemental exercise, and should not simply focus on charges, and transaction costs (where known). A number of qualitative features that improve a member experience also need to be taken into account which may be difficult to quantify, such as for example member access to customer service teams and online connectivity to each member's details via the Plan's online digital member functionality.

We understand from ongoing feedback from our Member Nominated Trustee, as well as general member feedback, characteristics such as these are valued by those making use of them. The Trustees continue to promote the value to members of such support to seek to improve utilisation.

As noted above, our assessment therefore took into account an evaluation of the benefits of membership against costs of membership in key areas.

Having considered all relevant aspects, and guidelines set out by the Pensions regulator, and having compared aspects of our Plan to other pension arrangements and information made available by our advisers, we have concluded that our Plan offers 'good value for members, but will keep this under review.

## **KNOWLEDGE AND UNDERSTANDING**

The requirements under sections 247-248 of the Pensions Act 2004 for knowledge and understanding have been met during the Plan year by the trustees.

The Plan is run by a Trustee Board comprising 4 Trustees of which 1 Trustee is a Member Nominated Trustee (MNT). The last time an MNT vacancy arose in January 2020 a further MNT was sought but no nominations were forthcoming with the Trustees therefore continuing with the Board as noted below. The Trustees cover a broad range of background knowledge and experience and are currently as follows:

<b><u>Name</u></b>	<b><u>Role</u></b>	<b><u>Company</u></b>
Colin Richardson	Independent Trustee and Chair	PTL Governance Limited
Bernie Lewis	MNT	Ideal Boilers Ltd
Debbie Skalli	Trustee	Ideal Boilers Ltd
Steve Hairsine	Trustee	Ideal Boilers Ltd

PTL are part of this Board and are a specialist provider of independent governance services primarily to UK pension arrangements. Amongst other appointments PTL act as an independent trustee on several hundred trust based pension schemes and sit on a number of IGCs. More information on PTL can be found at [www.ptluk.com](http://www.ptluk.com).

PTL is represented by Colin Richardson. Colin is a qualified Actuary and previously worked for a number of actuarial benefit consultants. He has significant DC trustee experience with DC Master Trust (DCMT), single employer trusts and hybrid schemes. Colin also sits on governance committees for contract based arrangements.

PTL requires that each of the Client Directors is professionally qualified and undertakes a minimum level of Continual Professional Development each year. Colin and PTL have met The Pension Regulator's knowledge and understanding requirements during the Scheme year. Colin holds the Pensions Management Institute Trustee Certificate. Colin is accredited as a Professional Trustee by the Association of Professional Pension Trustees.

All of the Trustees have undertaken the Pension Regulator's trustee training toolkit or are in the process of completing it.

The Trustee Board operates a calendar of Trustee Training at various times each year to ensure that each Trustee has training on relevant matters. The Secretary to the Trustees keeps records of the training. The training is chosen to reflect key areas on forthcoming matters for the Trustee Board. Each Trustee has completed an analysis of training assessment needs.

Training undertaken included professionalism, GDPR, DC investment default design and structures, transaction costs, trustee standards, cyber security, pensions communications, environmental and social impact investing, challenging of advisers and conflicts of interest.

Each new trustee is provided with a detailed induction plan which requires the trustee to complete the Pension Regulator's trustee toolkit. This contains modules on the law relating to pensions and trusts, and principles relating to funding and investment of pension schemes.

A training programme operates that is reviewed periodically. Trustee training needs continue to be monitored to ensure the Trustees' knowledge and understanding is maintained, with any knowledge gaps addressed appreciating that the collective knowledge and experience of the Trustee Board is broad.

The trustees have a working knowledge of the Trust Deed and Rules and are conversant with the SIP. Through the specific training this includes all trustees including the professional trustee in relation to this specific Plan.

Punter Southall provide professional advice to the Trustee and support them in reviewing the performance of the Plan and in governing the Plan in line with the Trust Deed and Rules. The advice received by the Trustee along with their own experience allows them to properly exercise their function as Trustee.

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the regulations").

**Signed:** Colin Richardson on behalf of PTL

**Date:** 13 October 2021

# Statement of Investment Principles

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## Ideal Stelrad Group Pension Plan

### 1. INTRODUCTION

This document constitutes the Statement of Investment Principles (the 'SIP') required under Section 35 of the Pensions Act 1995 (the 'Act') for the Ideal Stelrad Group Pension Plan (the 'Plan'). It describes the investment policy, guidelines and procedures being pursued by the Trustees of the Plan which the Trustees believe are in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK (the 'Myners Principles'). This SIP has also been drafted in a manner to reflect the requirements of The Occupational Pension Schemes (Investment) Regulations 2005 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.

In accordance with the Act, the Trustees confirm that, before preparing the SIP, they have obtained and considered written advice from their appointed Investment Advisers, SEI Investments (Europe) Limited ('SEI') and have consulted with Ideal Boilers Limited (the 'Principal Employer' of the Plan). The Scheme Actuary has also been consulted to ensure that the potential returns available from the investment strategy remain consistent with the assumptions the Trustees have adopted for determination of the Plan's Statutory Funding Objective and any associated Recovery Plan to repair a funding shortfall if one arises at any time.

The Trustees believe SEI to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge and experience of the investment arrangements that the Plan requires.

The Trustees are responsible for the investment of the Plan's assets and arrange administration of the Plan. Where they are required to make an investment decision, the Trustees first receive and consider advice from SEI for the DB Section and PSDCC for the DC Section: they believe that this ensures that they are appropriately familiar with the issues concerned.

In accordance with the Financial Services and Markets Act 2000 ('FSMA'), the Trustees are responsible for setting a general investment policy, but have delegated the day-to-day investment of the Plan's assets to the Investment Adviser.

The Investment Managers listed in Appendix C are authorised and regulated by the Financial Conduct Authority (FCA) and provide the expertise necessary to manage the investments of the Plan.

#### **Declaration**

The Trustees confirm that this SIP reflects the investment strategy it has implemented for the Plan. The Trustees acknowledge that it is their responsibility, with guidance from their Investment Adviser, to ensure the assets of the Plan are invested in accordance with these principles.

Signed Colin Richardson Date 27 September 2019

For and on behalf of the Trustees of the Ideal Stelrad Group Pension Plan.

## 2. PLAN GOVERNANCE

The Trustees are responsible for the governance and investment of the Plan's assets. The Trustees consider the governance structure set out in this SIP to be appropriate for the Plan as it allows the Trustees to make the important decisions on investment policy, whilst delegating the day-to-day aspects of investment management to the Investment Adviser as appropriate. The responsibilities of each of the parties involved in the Plan's governance are detailed in Appendix A.

## 3. DEFINED BENEFIT INVESTMENT OBJECTIVES

The overall objective of the Scheme is to meet the benefit payments promised as they fall due. The Trustees have set the following long-term objectives:

1. The acquisition of suitable assets, having due regard to the risks set out in Section 10 of this statement, which will generate income and capital growth to pay, together with any deficit repayment contributions from the Principal Employer if such a deficit occurs, the benefits which the Scheme provides as they fall due.
2. To limit the risk of the assets being assessed as failing to meet the liabilities over the long term having regard to the Statutory Funding Objective (further details at section 11.1).
3. To achieve a return on investments which, over the long term, is expected to be consistent with meeting the Statutory Funding Objective.

The Trustees aim to meet the long term objectives via the following measures:

- Ensuring the strategic allocation for the Plan takes into account the liability profile and the Statutory Funding Objective.
- Monitoring the Investment Managers to ensure that they comply with the investment guidelines set for them and that there is a reasonable expectation that they can meet their performance objectives going forward.

## 4. DEFINED BENEFIT INVESTMENT STRATEGY

### 4.1 General Policies

The Trustees' approach to investment strategy is to allocate the assets into two broadly defined pools – the Risk Management Pool and the Return Enhancement Pool. The investment objective is then translated into the strategy and assets are allocated to these two components:

- Risk Management Pool – including Liability Driven Investment and Corporate Bond strategies) these investments exist in the portfolio to manage risk relative to the liabilities. Assets in this pool are those which tend to mirror the liabilities by nature and/or term such as fixed interest gilts, index-linked gilts, corporate bonds and liability driven derivative overlays such as interest rate swaps.
- Return Enhancement Pool – these investments exist in the portfolio to generate return relative to the liabilities without a requirement to closely track liability performance. Assets in this pool may include, but are not limited to, equities, property, emerging market debt, high yield bonds, commodities, hedge funds, and other similar alternative investments.

The Trustees' investment objective determines the split of assets between these two components and within each component.

### 4.2 Asset Allocation

The Trustees recognise the importance of asset allocation to the overall investment returns achieved. However, given the approach to managing the investments set out in the previous section, the Trustees also recognise that

the asset allocation will change as a result of a range of factors, which include changes in market conditions changing the allocation to different asset types.

However, in recognition of the risks that asset allocation can imply, there are asset allocation controls in place. These are detailed in the agreements between the Investment Adviser and the Trustees (current objectives, guidelines and restrictions as of the date of this SIP are set out in Appendix B).

### **4.3 Return Objective**

A return on investments is required which, over the long term, is expected to be consistent with the Trustees' goal of meeting the Statutory Funding Objective.

Where the Trustees have felt it appropriate, the Investment Managers have been mandated to invest actively in such a way as is expected to outperform relevant benchmark indices. The return objective of the portfolio can be found in Appendix B.

## **5. DEFINED BENEFIT STRATEGY IMPLEMENTATION**

The Trustees employ the Investment Adviser to manage the assets of the Plan.

SEI is appointed to invest the Plan's assets through:

- Selecting appropriate SEI or Third Party Funds suitable for the Plan.
- Defining the allocations to each Fund;
- Making changes and adjustments where appropriate.

The performance expectation of this process is delivery of the investment objectives set for each Fund, as this is consistent with the overall investment objectives set out earlier in the SIP.

### **5.1. Mandates and Performance Targets**

The Trustees have received advice on the appropriateness of the Investment Managers' targets, benchmarks and risk tolerances from the Investment Adviser and believe them to be suitable to meet the Plan's investment objectives.

SEI has been mandated by the Trustees to manage the investments under its control, in a particular way, and details of these mandates are given in agreement under which SEI is appointed by the Trustees (the "Fiduciary Management Agreement").

### **5.2. Fiduciary Management Agreement**

The Fiduciary Management Agreement sets out the scope of SEI's duties, fees, and investment restrictions together with any other relevant matter in relation to the Plan.

The Investment Adviser has been provided with a copy of this SIP and is aware that it is required to exercise its powers with a view to giving effect to the principles contained herein and in accordance with subsection (2) of Section 36 of the Pensions Act 1995.

### **5.3. Diversification**

The assets will be invested in a diverse portfolio of investments in order to reduce investment risk.

The Trustees understand the importance of diversification and, as such, the Investment Adviser is required by the Trustees to ensure the assets are properly diversified. The choice of asset classes as set out in Appendix B is designed to ensure that the Plan's investments are diversified by type and region.

The range of, and any limitation to the proportion of, the Plan's assets held in any asset class will be agreed between the Investment Adviser and the Trustees. These ranges and sets of limitations will be specified in the agreements between the Investment Managers and the Trustees and may be revised from time to time where considered appropriate as circumstances change (details of the asset allocations and restrictions as at the date of this SIP are set out at Appendix B). The Trustees also have regard to the investment powers of the Trustees as defined in the Trust Deed.

### **5.4. Suitability**

The Trustees have established a mandate with the specific aim of defining the asset management objective to be directly consistent with the liability driven objectives. As such, they consider the mandate to be suitable.

The Trustees have taken advice from the Plan's Investment Advisers to ensure that the assets held by the Plan and the proposed strategy is suitable given its liability profile, the Trustees' objectives, regulatory guidance and specifications in the Trust Deed.

### **5.5. Journey Plan**

The Trustees have agreed a Journey Plan for the purpose of de-risking and re-risking the investment strategy as the Plan's funding level changes. SEI will estimate and monitor the funding level and have been given discretionary authority to implement strategy changes as certain funding trigger points are reached. These are outlined in Appendix D.

## **6. MONITORING**

### **6.1. Investment Management**

The Trustees will monitor the performance of the Investment Managers against the agreed performance objectives.

## SEI

Under the Fiduciary Management Agreement, the Trustees have appointed SEI to provide investment advice, portfolio management and other services from time to time, as specified in the Fiduciary Management Agreement.

## Investment Managers

The Trustees will regularly review the activities of the Investment Managers to ensure they continue to perform in a competent manner and have the appropriate knowledge and experience to manage the assets of the Plan.

### **6.2. Statement of Investment Principles (SIP)**

The Trustees will review this SIP on a regular basis or following any changes to the investment strategy, and modify it after consultation with the Investment Adviser and the Principal Employer. There will be no obligation to change this SIP or any adviser relationship as part of such a regular review. Following any changes to the investment strategy this SIP will require updating to reflect the revised investment strategy.

### **6.3. Trustees**

The Trustees maintain a record of all decisions taken, together with the rationale in each case.

## **7. RISKS**

The Trustees recognise there are a number of risks involved with the investment of fund assets. The Trustees intend to adopt an investment strategy where the value of assets and liabilities are broadly aligned.

The management of investment risk is a function of the asset allocation and diversification strategies and implementation of that strategy is delegated to the Investment Adviser. The Trustees will monitor and review the Investment Managers' performance on a regular basis. The responsibilities of Trustees, Investment Adviser and Scheme Actuary are set out in Appendix A.

The Trustees recognise that the following are some of the risks involved in the investment of assets of the Plan:

- **Cashflow risk**  
The risk of a shortfall of liquid assets relative to the immediate liabilities. The Trustees and their advisers will manage the Plan's cash flows taking into account the timing of future payments. Although, the Trustees have no intention of needing to do so, they may borrow over the short-term in order to minimise the probability that this occurs in relation to the Defined Benefits section of the Plan.
- **Liquidity risk**  
This is the risk of exhausting liquid assets and therefore being unable to meet immediate liabilities. These liabilities include cash payments. Sufficient liquidity is maintained such that the probability of this risk occurring is very low. The Trustee and their advisers monitor the level of liquidity, and will take actions to improve liquidity if necessary.
- **Financial mismatching risk**  
The risk of a significant difference in the sensitivity of asset and liability values to changes in financial factors, in particular inflation and interest rates. The Trustees will control these risks by monitoring their key characteristics and setting appropriate tolerances. The Trustees will also review how these risks might change should pension schemes in assessment transfer into the Plan.
- **Demographic risk**  
Demographic factors include the uncertainty surrounding mortality projections such as future improvements in mortality experience. The Trustees recognise that there is currently no readily-tradable instrument to hedge this type of risk and that this risk may not be fully mitigated. The Trustees will choose appropriate mortality assumptions in line with Plan Funding legislation to measure liabilities after taking advice from the Plan Actuary.
- **Manager risk**

The failure by the Investment Manager to achieve the rate of investment return assumed by the Trustees. This issue has been considered by the Trustees on the initial appointment of the Investment Manager and thereafter will be considered as part of the investment review procedures the Trustees have put in place.

- **Concentration risk**  
The risk that the performance of any single asset class or single investment that constituted a significant proportion of the assets would disproportionately influence the Trustee's ability to meet the objectives. The Trustees have set diversification guidelines for the investment managers to mitigate this risk.
- **Credit risk**  
The possibility of default of a counterparty in meeting its obligations. The Trustees have set guidelines with investment managers to limit its exposure to investments with high credit risk.
- **Systemic risk**  
The possibility of an interlinked failure by a number of companies or organisations that sponsor pension Plans in particular sectors or industries. This also includes consideration of the overlap of risk between the investment held and the exposure to Plan deficits, as the failure of investments may also coincide with increasing Plan liabilities to the Plan. The Trustees will seek to mitigate this risk by limiting its exposure to investments with high credit risk. In addition, the asset allocation is set so as to ensure a low level of correlation between the Plan's assets relative to its liabilities and that of a typical UK defined benefit pension Plan.
- **Transition risk**  
The risk of incurring inappropriate costs in relation to the transition of assets of pension Plans from one investment manager to another. The Trustees will mitigate this risk by using one or more specialist managers to implement transitions of assets with the explicit aim of minimising costs.
- **Custody risk**  
The Trustees will assess and consider the actions of the custodian of the Plan's assets, SEI Investments (Europe) Limited, at the outset and on an ongoing basis to mitigate the risk of misappropriation of assets, delivery that is not in accordance with the instructions, unauthorised use of assets for the benefits of other customers of the custodian, inadequate segregation of customer assets, failure to collect income, recover tax or respond to corporate events and custodian default.  
The Custodian ring fences the Plan assets from its own assets and those of its other clients.
- **Derivative risk**  
Where derivatives are used by the Plan, the Plan will have additional risk with the counterparty to that derivative. These risks are managed through the use of collateral arrangements.
- **Currency risk**  
Addressed through the Investment Adviser's guidelines and its currency hedging strategy.
- **Covenant risk**  
The Trustees also have an agreement with the Employer to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring employers. In particular, the Trustees will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator, and employer-related Notifiable Events. On receipt of such notification, the Trustees will re-consider the continued appropriateness of the Plan's existing investment strategy.  
The Trustees will keep these risks under regular review.

## 8. OTHER ISSUES

### 8.1. Statutory Funding Objective

The Trustees will obtain and consider proper advice on the question of whether the investments and investment strategy are satisfactory having regard to both the investment objectives and the requirement to meet the Statutory Funding Objective. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation at least every three years.

The Trustees will consider with the Investment Adviser and the Scheme Actuary whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the Statutory Funding Objective.

## **8.2. Corporate Governance**

The Plan's investments are achieved via pooled investment funds, in which the Plan's investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes, social, ethical or environmental factors, is delegated to the investment manager of the pooled investment fund. As such, the Trustees do not have a formal policy. However, the extent to which these factors are taken into account in the selection, retention and realisation of investments is considered by the Investment Managers as part of the process of selecting organisations with which to invest.

## **8.3. Social, Environmental and Ethical Issues**

The Trustees are seeking to deliver a required level of returns over the long term subject to an acceptable level of risk recognising that not all risks are rewarded.

### **8.3.1. Consideration of financially material factors in investment arrangements**

Following advice from the Investment Adviser, the Trustees have adopted a policy of delegating responsibility for the consideration of environmental, social and governance (ESG) issues to the Investment Manager and their delegates. The Trustees are comfortable with the advice they have received and regard the advice on these areas as sufficient to support their investment policy. They expect the Investment Manager to take account of all financially material factors, including ESG, in the selection, retention and realisation of investments. The Investment Manager will keep the Trustees up to date with their latest position on ESG factors.

The Trustees have not made explicit allowance for the long-term risks of climate change in their investment strategy. As noted above, the Investment Manager is expected to take account of all financially material factors in the selection of investments. The Trustees, and the Investment Manager, will keep this under review.

### **8.3.2. Consideration of non-financially material factors in investment arrangements**

The Trustees have not imposed any restrictions relating to ESG issues on their Investment Manager and there are no exclusions applied to investment arrangements based on non-financially material factors.

## **8.4. Additional Voluntary Contributions (AVCs)**

Some members obtain further benefits by paying AVC's into the Plan. The liabilities in respect of these AVC's are equal to the value of the investments bought by the contributions. The Trustees' objective is to provide a range of funds, which will provide a suitable long term return for members, consistent with members' reasonable expectations. Members are offered the range of funds outlined in Appendix E through Standard Life in which to invest their AVC payments.

## **8.5. Realisation of Assets**

The assets are held in pooled funds, most of which can be realised easily if the Trustees so require.

## **8.6. Custody**

The Trustees have appointed SEI as the custodian of the assets managed by SEI. SEI uses the back-office services of its associate, SEI Private Trust Company ("SPTC"). SPTC acts as agent for SEI's associate, SEI Global Nominee Limited who holds the client assets of SEI.

Details of other custodians used by the Investment Manager who provides the Defined Contribution and AVC services for the Plan are set out in the agreement between that party and the Trustees on behalf of the Plan.

## **8 Use of Derivatives**

Derivatives or other financial instruments may be used to hedge the Plan's liability risks (principally interest rate, inflation and longevity risks) or other risks (e.g. equity or currency risks).

At any given time, a minimum level of assets of sufficient liquidity and quality will be held to ensure the Plan is able to satisfy collateral or margin calls which may arise as a result of the derivatives positions it holds.

## **8.8 Borrowing**

The Trustees do not intend to borrow or allow borrowing on behalf of the Plan.

## **8.9 Conflicts of Interest**

The Trustees will ensure that any conflicts of interest are managed at all times in the best interests of the Plan. Furthermore, in its oversight of the Investment Adviser, the Trustee will ensure that there are no conflicts of interests between SEI's role as Investment Adviser (detailed in Appendix A) and SEI's investment management business.

## **9.0 Voting**

The Trustees have delegated responsibility for voting in a pragmatic and consistent manner to the Investment Managers.

# **9. DEFINED CONTRIBUTION**

## **9.1. Defined contributions investment objectives**

The Trustees' objectives are to:

Offer suitable funds for the members so that they have a range of options available from which they may be able to maximise, so far as is reasonable, the rate of return earned on the assets over the long term within an acceptable degree of variation in asset values in relation to the member's preferred retirement income option (annuity, cash, flexible drawdown or a combination of all three).

The member's retirement benefits depend on:

- i. The level of contributions made by or in respect of the member.
- ii. Investment returns achieved (net of fees and any transaction charges)
- iii. In relation to selected benefit option:
  - a. Annuity terms prevailing at retirement; or
  - b. Levels of return on deposit-based funds; or
  - c. Levels of return on growth asset-based funds

Review, in conjunction with the Investment Advisers by means of discussion with the Investment Manager, any fund option offered to members that either underperforms its benchmark over a significant timeframe, or carries a level of risk to the security of the investment which may be thought to be unreasonable in the context of the Plan's investment objectives. There will be no obligation to make any changes to the range of funds offered to members as part of such a review, although the Trustees recognise their responsibilities to monitor and amend the fund range offered to members as appropriate, following advice from the Investment Advisers who will monitor the investment returns in the context of actual member outcomes.

## **9.2. Defined contribution investment strategy**

Having considered advice from the Advisers, and also having due regard for the objectives and the members of the Plan, the Trustees have made available a number of pooled funds through Standard Life's Trust Based Pension (TBP) contract. Members can choose to invest their contributions in one or more of the investment options.

The Trustees will ensure that each member's investments are invested in accordance with the fund options selected by the member.

### **9.21 Investment Options**

A range of pooled funds has been made available to provide individual members with a choice of asset classes and regions. These are detailed in Appendix E.

### **9.22 Default Funds**

The Trustees have decided to utilise a combination of active and passive options coupled with a proportion of absolute return funds within the default lifestyle strategies to members who do not specify where they would like their contributions to be invested.

The component funds are constructed as blends on Standard Life's platform and so are managed and reported on as single funds. The Trustees, in conjunction with the Investment Advisers, are able to review the underlying blend and adjust it as required.

Please see Appendix E for a table of the funds, their charges, benchmarks and whether they are active or passive.

The Trustees believe that these funds offer appropriate diversification and an acceptable level of risk to suit most members.

### **9.23 Lifestyling**

In recognition that some members may not wish to make their own investment decisions, the Trustees have developed Lifestyle options to ensure an adequate degree of diversification and to help ensure that the strategy is suitable for the average member over their working career.

With the arrival of pension freedoms in April 2015, the Trustees have developed in conjunction with the Investment Adviser, three lifestyle strategies on a Balanced (2), Cautious (1), and Adventurous (3) basis to provide members with access to a Lifestyle strategy but in a manner that broadly matches their individual attitude to risk. Within each lifestyle strategy members are able to select different targeted investment strategies to broadly match the new benefit options under DC schemes available under HMRC rules from April 2015.

For former members of the DB section of the Plan, the default strategy is Punter Southall 2 Flexible Retirement Lifestyle Profile (formerly the Ideal Stelrad Group ('ISG') Balanced Lifestyle) whilst for existing members of the DC section of the Plan, in order to provide continuity with the previous default option of the Ideal Stelrad Group Pension Plan, the default is the Punter Southall 3 Flexible Retirement Lifestyle (formerly the ISG Adventurous Lifestyle Profile).

Under the above lifestyle strategies, the members' investments are automatically invested in either the SL Punter Southall Blended Investment 2 Pension Fund or SL Punter Southall Blended Investment 3 Pension Funds as appropriate, and then phased over the seven years prior to the member's selected retirement age into the SL Punter Southall At Retirement (Flexible Retirement) Pension Fund.

For those members wishing to make specific at retirement benefit selections as outlined above, alternative lifestyle strategies are available that phase into either:

- the SL Punter Southall At Retirement (Annuity) fund
- SL Punter Southall At Retirement (Lump Sum) fund
- SL Punter Southall At Retirement (Drawdown) fund, or
- SL Punter Southall At Retirement (Flexible Retirement) fund

As the member approaches their selected retirement age to reflect the changing nature of the risks faced, the matrices of these lifestyles are detailed in Appendix D.

Accordingly, there are 12 lifestyle Profiles available reflecting the 3 levels of risk in the growth phase, and the 4 benefit targets available at retirement.

### **9.24 Diversification**

The choice of investment options for members is designed to ensure that they are able to choose investments that are adequately diversified and suitable for their profile. The Trustees monitor the strategy regularly to ensure that they are comfortable with the choice of funds offered to members.

### **9.25 Active and Passive Management**

The choice of whether to offer active and/or passive fund options is dictated by the funds offered by the Investment Manager and the Trustees have taken this into account when selecting the Investment Managers for the Plan.

### **9.26 Suitability**

The Trustees have taken advice from the Investment Adviser that the range of investment options offered to members is suitable. Members are responsible for choosing which of the funds is most appropriate for the investment of their own and their employer's contributions, based on their own individual circumstances. The availability of a default strategy does not constitute financial advice for any individual member.

### **9.3. DEFINED CONTRIBUTION STRATEGY IMPLEMENTATION**

#### **9.31 Investment Managers**

Following advice from the Advisers, the Trustees have appointed Standard Life to provide the pooled funds that make up the Plan's fund options.

#### **9.32 Defined Contribution Fund Options**

The range of funds offered to members was chosen from those offered by the Investment Manager to give members a diversified range of pooled investments from which they can select according to their individual circumstances. The funds available to members are detailed in Appendix \_.

#### **9.33 Investment of Contributions for Defined Contribution Members**

Members can choose to have their contributions invested:

1. 100% in one of the three Lifestyle growth options coupled with one of the four at-retirement options; or
2. In any one or more of the individual fund options offered to members.

Each member's contributions will be invested in line with his or her selected choice of funds.

#### **9.34 Performance Objectives**

The funds available to members are a range of actively and passively managed funds. The passively managed funds performance is expected to be in line with the relevant index or indices, whilst for the actively managed funds the objective is to achieve returns ahead of each respective benchmark. The 3 lifestyle strategies operate as blended funds with Standard Life and have performance benchmarks of CPI +2.0%, +2,5% and +3.0% over rolling 3 year periods for the Cautious, Balanced and Adventurous strategies respectively. The funds' benchmarks are detailed in Appendix C.

### **9.4. MONITORING**

#### **9.41 Investment Management**

The Trustees will monitor the performance of the Investment Managers against the agreed performance objectives.

##### Investment Managers

The Trustees will regularly review the activities of the Investment Managers to ensure they continue to perform in a competent manner and have the appropriate knowledge and experience to manage the assets of the Plan.

#### **9.42 Statement of Investment Principles (SIP)**

The Trustees will review this SIP on a regular basis or following any changes to the investment strategy, and modify it after consultation with the Investment Adviser and the Principal Employer. There will be no obligation to change this SIP or any adviser relationship as part of such a regular review. Following any changes to the investment strategy this SIP will require updating to reflect the revised investment strategy.

#### **9.43 Trustees**

The Trustees maintain a record of all decisions taken, together with the rationale in each case.

## **9.5. RISKS**

The Trustees recognise there are a number of risks involved with the investment of DC section fund assets.

The management of investment risk is a function of the asset allocation and diversification strategies and implementation of that strategy is delegated to the Investment Managers. The Trustees will monitor and review the Investment Managers' performance on a regular basis. The responsibilities of the Trustees and Investment Adviser are set out in Appendix A.

The Trustees recognise that the following are some of the risks involved in the investment of assets of the Plan:

### **9.51 Manager risk**

The failure by the Investment Manager to achieve the rate of investment return assumed by the Trustees. This issue has been considered by the Trustees on the initial appointment of the Investment Manager and thereafter will be considered as part of the investment review procedures the Trustees have put in place.

### **9.52 Concentration risk**

The risk that the performance of any single asset class or single investment that constituted a significant proportion of the assets would disproportionately influence the Trustee's ability to meet the objectives. The Trustees in conjunction with the Investment Adviser have established diversified blends via the investment managers to mitigate this risk.

### **9.53 Custody risk**

The Trustees will assess and consider the actions of the custodian of the Plan's assets at the outset and on an ongoing basis to mitigate the risk of misappropriation of assets, delivery that is not in accordance with the instructions, unauthorised use of assets for the benefits of other customers of the custodian, inadequate segregation of customer assets, failure to collect income, recover tax or respond to corporate events and custodian default.

The Trustees will keep these risks under regular review.

## **9.6. OTHER ISSUES**

### **9.61 Corporate Governance and Stewardship Policy**

The Plan's investments are achieved via pooled investment funds in which the Plan's investments are pooled with those of other investors. As such, direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes, social, ethical or environmental factors, is delegated to the investment manager of the pooled investment fund. As such, the Trustees do not have a formal policy. However, the extent to which these factors are taken into account in the selection, retention and realisation of investments is considered by the Investment Managers as part of the process of selecting organisations with which to invest.

### **9.62 Financially Material Investment Considerations**

Considerations which include the "Risks", as set out in section 5, can affect the long-term financial performance of investments and can (but do not have to) include Environmental Social and Governance (ESG) responsibilities where relevant. The Trustees delegate consideration of financially material factors to the investment platform provider Aberdeen Standard Investments, who considers these factors for funds that are available through the default arrangement and as self-select funds, when making funds available on its investment platform. All references to ESG relate to financial factors only, and include climate change.

ESG factors and stewardship are considered in the context of long term performance by the Trustees (in conjunction with their advisors) as part of the manager selection criteria. For invested funds, the Trustees

request the investment platform provider monitors ongoing compliance with ESG and other factors, like stewardship, as part of overall engagement with companies in which they invest.

### **9.63 Non-Financially Material Investment Considerations**

The Trustees do not at present take into account non-financially material factors (such as members' ethical considerations, social and environmental impact matters or future quality of life considerations for members and beneficiaries) when making investment decisions as part of the default arrangement, as there is no likely common view on any ethical matters which members are likely to hold. At this time the Trustees have no plans to seek the views of the membership on ethical considerations. This policy will be reviewed periodically.

There is an optional Standard Life Ethical Pension Fund and a Shariah compliant SL HSBC Islamic Global Equity Index Fund available to members within the core funds available.

### **9.64 Additional Voluntary Contributions (AVCs)**

Some members obtain further benefits by paying AVC's into the Plan. The Trustees' objective is to provide a range of funds, which will provide a suitable long term return for members, consistent with members' reasonable expectations. Members are offered the range of funds outlined in Appendix C through Standard Life in which to invest their AVC payments.

### **9.65 Realisation of Assets**

The assets are held in pooled funds, most of which can be realised easily if the Trustees so require.

### **9.66 Custody**

Details of the custodians used by the Investment Manager who provides the Defined Contribution and AVC services for the Plan are set out in the agreement between that party and the Trustees on behalf of the Plan.

### **9.67 Borrowing**

The Trustees do not intend to borrow or allow borrowing on behalf of the Plan. In addition, Standard Life's TBP contract does not facilitate or permit pension borrowing.

### **9.68 Conflicts of Interest**

The Trustees will ensure that any conflicts of interest are managed at all times in the best interests of the Plan.

## **9.7. VOTING**

The Trustees have delegated responsibility for voting in a pragmatic and consistent manner to the Investment Managers.

## **Appendix A- Responsibilities**

### **Trustees**

The Trustees of the Plan are responsible for, amongst other things:

- iii. Determining the investment objectives of the Plan and reviewing these from time to time.
- iv. Agreeing an investment strategy designed to meet the investment objectives of the Plan and prevailing legislation.
- v. Regularly reviewing the content of this SIP and modifying it if deemed appropriate, in consultation with the Investment Advisers.
- vi. Reviewing the suitability of the investment policy following the results of each investment review, in consultation with the Investment Advisers.
- vii. Assessing the quality of the performance and process of the Investment Managers by means of regular reviews of the investment results and other information, by way of meetings and written reports.
- viii. Assessing the ongoing effectiveness of the Investment Advisers.
- ix. Consulting with the Principal Employer when reviewing investment policy issues.
- x. Monitoring compliance of the investment arrangements with this SIP on an ongoing basis.
- xi. Advising the Investment Advisers of any changes to Plan benefits and significant changes in membership.

### **Investment Adviser**

The Investment Adviser will be responsible for, amongst other things:

- i. Participating with the Trustees in reviews of this SIP.
- ii. Advising the Trustees how any changes within the Plan's benefits, membership and funding position may affect the manner in which the assets should be invested.
- iii. Advising the Trustees of any changes in the Plan's Investment Managers that could affect the interests of the Plan.
- iv. Advising the Trustees of any changes in the investment environment that could either present opportunities or problems for the Plan.
- v. Undertaking reviews of the Plan's investment arrangements including reviews of the asset allocation policy and current funds the Plan is invested in, as appropriate.
- vi. At their discretion, but within any guidelines given by the Trustees, implementing changes in the asset mix and selecting and undertaking transactions in specific investments within each asset class to achieve the stated objective.
- vii. Providing the Trustees with sufficient information each quarter to facilitate the review of its activities, including:
  - A report of the strategy followed during the quarter.
  - The rationale behind past and future strategy.
  - A full valuation of the assets and a performance summary.
- viii. Informing the Trustees immediately of:
  - Any breach of this SIP that has come to their attention.
  - Any serious breach of internal operating procedures.
  - Any material change in the knowledge and experience of those involved in managing the Plan's investments.

- Any breach of investment restrictions agreed between the Trustees and the Investment Managers from time to time.

### **Scheme Actuary**

The Plan Actuary will be responsible for, amongst other things:

- i. Liaising with the Investment Managers on the suitability of the Plan's investment strategy.
- ii. Performing the triennial (or more frequently as required) valuations and advising on the appropriate contribution levels. In intervening years providing actuarial reports.
- iii. Commenting on the appropriateness of the investment strategy relative to the liabilities of the Plan at the triennial valuations.
- iv. Advising the Trustees of any material changes that may impact on the funding level.

### **Scheme Administrator**

- i. Proper accounting, support in preparation of the annual report, administration of the annual audit and other financial reporting as required

### **Custodian**

The Custodian will be responsible for, amongst other things:

- i. Safe-keeping and administration of all the directly held assets.
- ii. Collecting income from assets and transferring it to the Trustees.
- iii. Processing all tax reclaims in a timely manner.
- iv. Reconciling records of assets.

## Appendix B - Investment Objectives, Guidelines & Restrictions (DB)

The current asset allocation of the Plan managed by SEI is set out below and is accurate as at the date of this SIP (subject to change over time).

The investment objective for the portfolio can be found at section 3 of this Statement and can be summarised as follows: to achieve a return on investments consistent with the Statutory Funding **Objective**, taking into account the liability profile and with due regard to risk.

The benchmark for the Plan is given in the table below:

Fund	Target Allocation %	Benchmark Index
<b>Return Enhancement</b>	<b>45.0%</b>	
SEI Global Select Equity Fund	10.0%	MSCI World Index
SEI Global Managed Volatility Equity Fund	7.5%	MSCI World Index
SEI UK Equity Strategy*	5.0%	FTSE All Share Index
SEI Dynamic Asset Allocation Fund	7.5%	FTSE 100 Index
SEI High Yield Fixed Income Fund	2.5%	B of A Merrill Lynch US High Yield Master II Constrained Index (GBP Hedged)
SEI Global Opportunistic Fixed Income Fund	2.5%	Barclays Capital Aggregate ex Global Treasury Index (GBP Hedged)
<b>Alternatives</b>		
SEI UK Property Fund	5.0%	IPD UK Property Quarterly Index
SEI Liquid Alternatives Fund	5.0%	ML 3 Month Constant Maturity LIBOR (GBP hedged)
<b>Risk Management</b>	<b>55.0%</b>	
SEI UK Credit Fund	7.5%	B of A Merrill Lynch Sterling Non-Gilts Index
SEI UK Long Duration Gilts Fixed Income Fund	20.0%	Long Duration Gilts Index
SEI UK Long Duration Index Linked Fixed Income Fund	27.5%	Long Duration Index Linked Gilts Index

\*For the avoidance of doubt the SEI UK Equity Strategy consists of the SGMF UK Fundamental Equity Fund and the SGMF UK Quantitative Equity Fund.

**Appendix C****Scheme Actuary:**

Ash Williams, Punter Southall

**Investment Adviser:**

SEI Investments (Europe) Limited

Punter Southall Defined Contribution Consulting

**Investment Managers:**

SEI Investments (Europe) Limited

PSDCC

Standard Life

(DC) Standard Life Aberdeen

**Scheme Administrator**

Capita

(DC) Standard Life Assurance Limited

**Appendix D DB**

The table below includes the intended Funding Level Triggers and applicable timescales as at 31 December 2016 (and are subject to change):

<b>Trigger</b>	<b>Starting level</b>
Re-risk Trigger	100.8
SEI Portfolio B	104.3
Trigger 1	108.0
Trigger 2	111.8

The table below includes the intended asset allocation for each Strategy. The funds available for inclusion in each Strategy are listed in Annex 2 to this Schedule.

<b>Asset Class</b>	<b>SEI Portfolio B (starting)</b>	<b>Trigger Portfolio 1</b>	<b>Trigger Portfolio 2</b>
<b>Return Enhancing</b>	45.0%	40.0%	35.0%
<b>Matching</b>	55.0%	60.0%	65.0%

## Appendix E - Defined Contribution Fund Options

The specific investment funds available to members who wish to construct their own portfolio of funds are set out in the table below.

Manager	Fund Name	Benchmark	Total Expense Ratio (TER) (%pa)	Active/Passive	Default
Standard Life	SL Punter Southall Blended Investment 1	CPI +2.0%	0.49%	Active	No
Standard Life	SL Punter Southall Blended Investment 2	CPI +2.5%	0.45%	Active	Yes <sup>6</sup>
Standard Life	SL Punter Southall Blended Investment 3	CPI +3.0%	0.37%	Active	Yes <sup>7</sup>
Standard Life	SL Punter Southall At Retirement (Flexible Retirement)	A weighted comparator of the underlying funds' benchmarks	0.29%	Active	Yes <sup>8</sup>
Standard Life	SL Punter Southall At Retirement (Annuity)	A weighted comparator of the underlying funds' benchmarks	0.29%	Active	No
Standard Life	SL Punter Southall At Retirement (Drawdown)	A weighted comparator of the underlying funds' benchmarks	0.29%	Active	No
Standard Life	SL Punter Southall At Retirement (Lump sum)	A weighted comparator of the underlying funds' benchmarks	0.28%	Active	No
BlackRock	SL BlackRock World ex UK Equity Tracker	FTSE All World Developed ex-UK Index	0.29%	Passive	No
BlackRock	SL BlackRock Over 15 Year Corporate Bond	iBoxx Over 15 years £ non-gilts Index	0.29%	Passive	No
BlackRock	SL BlackRock Managed (50:50) Global Equity	50% FTSE All-share Index, 50% overseas equities index	0.29%	Passive	No
HSBC	SL HSBC Islamic Global Equity Index	ABI Global Equities Index	0.57%	Active	No
BlackRock	SL iShares Index Linked Gilt Index (previously BlackRock Aquila Connect Over 5 Year Index Linked Gilt)	FTSE UK Gilts Index-Linked Index	0.28%	Passive	No

<sup>6</sup> The SL Punter Southall Blended Investment 2 Fund is one of two funds in the 'Punter Southall 2 Flexible Retirement Lifestyle Profile' which is the default for former members of the **DB** section of the Ideal Stelrad Group Pension Plan

<sup>7</sup> The SL Punter Southall Blended Investment 3 Fund is one of two funds in the 'Punter Southall 3 Flexible Retirement Lifestyle Profile' which is the default for former members of the **DC** section of the Ideal Stelrad Group Pension Plan

<sup>8</sup> The SL Punter Southall At Retirement (Flexible Retirement) Fund is the second fund in both the 'Punter Southall 2 Flexible Retirement Lifestyle Profile' and 'Punter Southall 3 Flexible Retirement Lifestyle Profile'.

Further details on the lifestyle profiles and the proportions invested in each fund can be found in Appendix \_.

BlackRock	SL iShares > 15 Year Gilt Index (previously BlackRock Aquila Connect Over 15 Year Gilt)	FTSE UK Gilts over 15 years Index	0.28%	Passive	No
BlackRock	SL iShares UK Equity Index	FTSE All-Share Index	0.28%	Passive	No
Standard Life	Standard Life Deposit and Treasury	ABI Deposit and Treasury Index	0.28%	Active	No
Standard Life	Standard Life Ethical Fund	ABI Balanced (up to 85% equity) Managed Index	0.28%	Active	No
Standard Life	Standard Life Property Fund	ABI UK Property Direct Index	0.30%	Active	No
P-Solve	Inflation Plus	UK RPI Index	1.21%	Active	No
River & Mercantile	SL River & Mercantile Dynamic Asset Allocation Pn	SONIA +4.125% p.a.	1.55% 0.82%	Active	No

**Appendix F - The Lifestyle Strategy Options (DC)**

<b>Years to retirement</b>	<b>7</b>	<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>0</b>
<b>Punter Southall 1 Flexible Retirement Lifestyle Profile</b>								
SL Punter Southall Blended Investment 1 Pension Fund	100%	86%	71%	57%	43%	29%	14%	
SL Punter Southall At Retirement (Flexible Retirement) Pension Fund		14%	29%	43%	57%	71%	86%	100%
<b>Punter Southall 2 Flexible Retirement Lifestyle Profile <sup>9</sup></b>								
SL Punter Southall Blended Investment 2 Pension Fund	100%	86%	71%	57%	43%	29%	14%	
SL Punter Southall At Retirement (Flexible Retirement) Pension Fund		14%	29%	43%	57%	71%	86%	100%
<b>Punter Southall 3 Flexible Retirement Lifestyle Profile <sup>10</sup></b>								
SL Punter Southall Blended Investment 3 Pension Fund	100%	86%	71%	57%	43%	29%	14%	
SL Punter Southall At Retirement (Flexible Retirement) Pension Fund		14%	29%	43%	57%	71%	86%	100%
<b>Punter Southall 1 Lump Sum Lifestyle Profile</b>								
SL Punter Southall Blended Investment 1 Pension Fund	100%	86%	71%	57%	43%	29%	14%	
SL Punter Southall At Retirement (Lump Sum) Pension Fund		14%	29%	43%	57%	71%	86%	100%
<b>Punter Southall 2 Lump Sum Lifestyle Profile</b>								
SL Punter Southall Blended Investment 2 Pension Fund	100%	86%	71%	57%	43%	29%	14%	
SL Punter Southall At Retirement (Lump Sum) Pension Fund		14%	29%	43%	57%	71%	86%	100%
<b>Punter Southall 3 Lump Sum Lifestyle Profile</b>								
SL Punter Southall Blended Investment 3 Pension Fund	100%	86%	71%	57%	43%	29%	14%	
SL Punter Southall At Retirement (Lump Sum) Pension Fund		14%	29%	43%	57%	71%	86%	100%

<sup>9</sup> The Punter Southall 2 Flexible Retirement Lifestyle Profile is the default for former members of the DB section of the Ideal Stelrad Group Pension Plan

<sup>10</sup> The Punter Southall 3 Flexible Retirement Lifestyle Profile is the default for former members of the DC section of the Ideal Stelrad Group Pension Plan

**Punter Southall 1 Annuity Lifestyle Profile**

SL Punter Southall Blended Investment 1 Pension Fund	100%	86%	71%	57%	43%	29%	14%	
SL Punter Southall At Retirement (Annuity) Pension Fund		14%	29%	43%	57%	71%	86%	100%

**Punter Southall 2 Annuity Lifestyle Profile**

SL Punter Southall Blended Investment 2 Pension Fund	100%	86%	71%	57%	43%	29%	14%	
SL Punter Southall At Retirement (Annuity) Pension Fund		14%	29%	43%	57%	71%	86%	100%

**Punter Southall 3 Annuity Lifestyle Profile**

SL Punter Southall Blended Investment 3 Pension Fund	100%	86%	71%	57%	43%	29%	14%	
SL Punter Southall At Retirement (Annuity) Pension Fund		14%	29%	43%	57%	71%	86%	100%

**Punter Southall 1 Drawdown Lifestyle Profile**

SL Punter Southall Blended Investment 1 Pension Fund	100%	86%	71%	57%	43%	29%	14%	
SL Punter Southall At Retirement (Drawdown) Pension Fund		14%	29%	43%	57%	71%	86%	100%

**Punter Southall 2 Drawdown Lifestyle Profile**

SL Punter Southall Blended Investment 2 Pension Fund	100%	86%	71%	57%	43%	29%	14%	
SL Punter Southall At Retirement (Drawdown) Pension Fund		14%	29%	43%	57%	71%	86%	100%

**Punter Southall 3 Drawdown Lifestyle Profile**

SL Punter Southall Blended Investment 3 Pension Fund	100%	86%	71%	57%	43%	29%	14%	
SL Punter Southall At Retirement (Drawdown) Pension Fund		14%	29%	43%	57%	71%	86%	100%