John Hogg & Co Ltd. Retirement Benefits Scheme

Statement of Investment Principles

June 2024

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1 Introduction

This Statement sets out the principles governing decisions relating to the investment of the assets of the John Hogg & Co Ltd. Retirement Benefits Scheme (the Scheme).

The Scheme is a defined benefit arrangement set up under trust and registered with HM Revenue and Customs (HMRC). The Scheme is subject to the Statutory Funding Objective (SFO) introduced by the Pensions Act 2004, i.e. that it should have sufficient and appropriate assets to cover its Technical Provisions, as calculated in accordance with the Trustee Directors' Statement of Funding Principles.

This Statement has been prepared in line with the following legislation and regulations:

- Section 35 of the Pensions Act 1995
- Section 244 of the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005
- The Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018
- The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019

A copy of this Statement will be made available to Scheme members on request or online through the following link: https://johnhogg.com/rbs.html

2 Investment Decision Making

The investment of the Scheme's assets is the responsibility of the Trustee Directors. The Trustee Directors investment powers are set out in Clause 9 of the Scheme's Definitive Deed, dated 14th March 2013. The powers granted to the Trustee Directors under this Clause are wide and this Statement is consistent with those powers.

The Trustee Directors have obtained and considered professional advice on the content of this Statement from Broadstone Corporate Benefits Limited (Broadstone), their appointed investment adviser. Broadstone is authorised and regulated by the Financial Conduct Authority. Broadstone has confirmed to the Trustee Directors that it has the appropriate knowledge and experience to give the advice required under legislation. Broadstone is remunerated a fee for its advice and its appointment is reviewed from time to time by the Trustee Directors.

The Trustee Directors have also consulted the Principal Employer, John Hogg & Co Ltd., when setting their investment objectives and strategy, and in the preparation of this Statement.

Responsibility for maintaining the Statement and determining the Scheme's investment strategy rests solely with the Trustee Directors. The Trustee Directors will obtain such advice as they consider appropriate and necessary whenever they intend to review or revise this Statement.

The day to day investment decisions have been delegated to the Investment Managers as listed in Appendix A.

3 Investment Objectives

The investment objective of the Trustee Directors is to generate returns from a diversified portfolio of assets with a focus on income yield such that the Scheme's benefits are expected to be paid when they fall due.

The Trustee Directors also have an objective to gradually build up a strategy invested mainly in gilts and bonds such that the Scheme's funding level, once it is at or above 100%, will be broadly resilient to changes in market conditions.

4 Setting the Investment Strategy

Details of the investment strategy are set out in the Appendix to this Statement.

The policies, used by the Trustee Directors, in setting the investment strategy are set out below:

Policy	
Selection of Investments	The Trustee Directors will monitor the Scheme's investments and obtain regular advice from its investment adviser to ensure compliance with the following criteria for choosing investments: • Assets must be invested in the best interests of members and beneficiaries and, in the case of a potential conflict of interest, in the sole interest of members and beneficiaries; • The powers of investment, or discretion, must be exercised in a manner calculated to ensure the security, liquidity and profitability of the portfolio as a whole; • Assets held to cover the Scheme's technical provisions must also be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable; • Assets must consist predominantly of investments admitted to trading on regulated markets; • Investment in assets which are not admitted to trading on such markets must in any event be kept to a prudent level; • Assets must be properly diversified in such a way as to avoid excessive reliance on any particular asset, issuer or group of undertakings and so as to avoid accumulations of risk in the portfolio as a whole. Investments in assets issued by the same issuer or by issuers belonging to the same group must not expose the Scheme to excessive risk of concentration. • Investment in derivative instruments may be made only in so far as they contribute to a reduction of risks or facilitate efficient portfolio management and any such investment must be made and managed to avoid excessive risk exposure to a single counterparty and to other derivative operations.

5 Realisation and Rebalancing of Assets

The income from the annuity contracts and investments are expected to be sufficient to cover normal expenditure for the foreseeable future. However, the Trustee Directors will ensure that an adequate proportion of the Scheme's assets is held in sufficiently realisable investments to meet additional cash flow requirements and enable it to meet its obligation to provide benefits as they fall due. Suitable arrangements are in place to monitor the cashflow requirements.

6 Expected Returns

The expected return on the invested assets, after investment management costs, is estimated to be greater than that assumed in the Valuation when assessing the level of ongoing contributions required to enable the Trustee Directors to maintain its ability to pay benefits as they fall due.

Over the long term, the rates of return that the Trustee Directors expect to achieve from the asset classes they make use of can be found in Appendix A5.

7 Risks

The risk of a shortfall of liquid assets relative to the immediate liabilities is managed by regularly projecting the anticipated benefit payments alongside income from annuities and the Scheme's other investments.

The investments have been designed to generate income sufficient to minimise the risk of possible cashflow shortfalls. If assets must be sold to meet cashflows, the allocation to liquid assets is expected to be sufficient to cover any cashflow shortfalls if necessary.

The projections of benefits, and (if necessary) Principal Employer contributions, are recalculated at least after every triennial actuarial valuation.

The risk of adverse changes to the value of assets and liabilities, due to market movements, is controlled by monitoring the characteristics of the Scheme and balancing the need to achieve long-term objectives with the Trustee Director's tolerance for volatility. The Scheme's assets include an allocation to long-dated fixed interest and inflation-linked gilts to help protect against this risk.

The risk of failing to achieve the expected rate of return due to Investment Manager performance is minimised by using a diversified range of actively managed funds, with a focus on high yielding assets.

The risk of any single investment adversely affecting the performance of the Scheme is controlled by diversification between different asset classes and further diversification within each asset class.

8 Security of Assets

The day-to-day activities that the Investment Managers carry out for the Trustee Directors are subject to regular internal reviews and external audits by independent auditors to ensure that operating procedures and risk controls remain appropriate.

Safe-keeping of the Scheme's assets held with the Investment Managers is performed by custodians appointed by them.

The Trustee Directors have considered the security of the Scheme's holdings with the Investment Managers, allowing for their status as reputable regulated firms, and consider the associated protection offered to be reasonable and appropriate.

9 Responsible Investment & Stewardship

The Trustee Directors believe that in order to protect and enhance the value of the investments, during the period over which the benefits are paid, they must act as a responsible asset owner.

The Trustee Directors are aware that the Scheme's membership is likely to hold a broad range of views on ethical, political, social, environmental, and quality of life issues. The Trustee Directors therefore do not explicitly seek to reflect any specific views through the implementation of the investment strategy, both financial and non-financial.

The Trustee Directors' policies in respect of responsible investment are set out below:

Policy	
Financially Material Considerations	The Trustee Directors believe that good stewardship and environmental, social and governance ("ESG") issues may have a material financial impact on investment returns. The Trustee Directors have given each Investment Manager their full discretion when evaluating ESG issues and in exercising rights, engagement activities[1], and stewardship obligations attached to the Scheme's investments. The extent to which these factors are taken into account by the Investment Managers in the selection, retention and realisation of investments is considered by the Trustee Directors as part of the process of selecting organisations with which to invest. The Trustee Directors have taken into consideration the Financial Reporting Council's UK Stewardship Code, and Schroders Investment Management and Royal London Asset Management both have stated corporate governance policies which comply with these principles. Hollyport Capital LLP does not appear on the most recent Financial Reporting Council's UK Stewardship Code signatory list.
Voting Rights	Although the Trustee Directors have no direct investments in securities that would allow it to exercise rights (including voting rights), the Trustee Directors do hold investments in unitised pooled funds with underlying investments in such securities. The Investment Managers may exercise voting rights attaching to these securities without reference to the Trustee Directors, however the Trustee Directors review and report the voting activity on an annual basis
Capital Structure of Underlying Companies	The Trustee Directors delegate the responsibility for monitoring the make-up and development of the capital structure of investee companies to their Investment Managers.

The Trustee Directors will review the stewardship policies of any new Investment Managers appointed, as well as assessing the stewardship and engagement activity of the current Investment Managers on an ongoing basis.

[1] Under the Legislation "Engagement activities" include the methods by which, and the circumstances under which, Trustee Directors would monitor and engage with relevant persons about relevant matters. "Relevant matters" includes (but is not limited to) matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance. "Relevant persons" includes (but is not limited to) an issuer of debt or equity, an Investment Manager or another holder of debt or equity.

10 Conflicts of Interest

The Trustee Directors identify whether there are any conflicts of interest at each meeting, and records any actual or potential conflicts of interest, including in relation to investee companies or the Investment Managers. If any conflicts are identified, the Trustee Directors have a policy that sets out a process for the management of any such conflict of interest.

11 Duration of Investment Arrangements

The Trustee Directors are long-term investors and have not set an explicit target to review the duration of their arrangement with the Investment Managers. However, the arrangements will be reviewed in conjunction with any review of the investment strategy.

12 Incentivisation of Investment Managers

The Trustee Directors select Investment Managers who are primarily remunerated via an agreed fixed annual percentage of the asset value for each underlying fund. The Trustee Directors may also agree to pay a performance related fee to its Investment Managers.

The Trustee Directors do not directly incentivise the Investment Managers to align its investment strategy and decisions with the Trustee Directors' policies and objectives. Neither do the Trustee Directors incentivise the Investment Managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity to improve their performance in the medium to long-term.

However, the Trustee Directors will review their Investment Managers from time to time and will hold vehicles that they believe operate in line with the policies and objectives, set by the Trustee Directors, and the Scheme's overall return requirement.

13 Portfolio Turnover Costs

The Trustee Directors expect the Investment Managers to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by investment vehicle and change according to market conditions.

The Trustee Directors therefore do not set a specific portfolio turnover target at the Total Scheme level or for the vehicles held.

The Investment Managers provide information on portfolio turnover and associated costs to the Trustee Directors so that this can be monitored, as appropriate.

14 Monitoring

The Trustee Directors will consider on a regular basis whether or not the Investment Managers and AVC provider remain appropriate to continue to manage assets of the Scheme. The Trustee Directors expect the Investment Managers to supply them with sufficient information each quarter to enable them to monitor financial and non-financial performance.

The Trustee Directors will review Investment Managers' performance via the reporting they provide, and the quarterly investment report prepared by the investment adviser.

15 Review of Statement

The Trustee Directors will review this Statement if there is a significant change in the Scheme's investment strategy or a significant change in the regulations that govern pension scheme investment.

Signed:

For and on behalf of the Trustee Directors of the John Hogg & Co Ltd. Retirement Benefits Scheme

Date: 5 June 2024

Appendix A Investment Strategy Summary

A.1 Asset Allocation

At the date of the document, the Investment Managers appointed, and the proportion of Scheme assets managed by them, are set out below.

Asset Class	Investment Manager*	Asset Allocation (March 2024)
Illiquids **		
Private Equity	Hollyport Capital LLP	28.6%
Property	Direct Commercial Property Holding	
Corporate Bonds	Royal London Asset Management	**36.0%**
Government Bonds	Schroders Investment Management	**30.2%**
Cash ***	n/a	**5.2%**
Total		**100.0%**

* The Investment Managers are authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000.
** The liquids are expected to run-off (private equity) or sold (direct property) within the next 5 years. The proceeds are expected to be reinvested into corporate bonds and government bonds to increase the target hedge ratio and/or generate additional income to help meet the ongoing cashflow needs of the Scheme.
*** A cash balance is maintained to ensure sufficient monies are available to meet member benefit outgo each month.

The Trustee Directors have the power to make changes to the Scheme's Asset Allocation from time to time to meet the stated investment objectives. The asset allocations are expected to change over time because of market movements, and the Trustee Directors will consider whether to rebalance if they drift significantly from their targets, on the advice of their investment adviser.

A.2 Strategies and Funds

The Trustee Directors use the following funds operated by the Investment Manager:

Investment Manager	Funds
Hollyport Capital LLP	Hollyport IV Hollyport V Hollyport VI
Royal London Asset Management	Royal London Sterling Extra Yield Bond Fund Royal London Short Duration Credit Fund
Schroders Investment Management	Schroders Life Matching Nominal Gilts Fund 2018 – 2037 Schroders Life Matching Nominal Gilts Fund 2038 – 2057 Schroders Life Matching Index-Linked Gilts Fund 2028 – 2037 Schroders Life Matching Index-Linked Gilts Fund 2038 – 2047

A.3 Target Hedging Ratios

The target hedging ratios against the interest rate and inflation risk associated with the Scheme's Total Technical Provisions Liabilities are summarised below:

	Target Hedging Ratio
Long Term Interest Rates	60%
Inflation Expectations	60%

A.4 Expected Returns of Asset Classes

Broadstone's in-house expectations for the expected returns of the asset classes utilised by the Trustee Directors in their strategic asset allocation can be found below. These forecasts are dynamic, and these represent Broadstone's market view as at Q1 2024.

Asset Class	Expected Return Over Gilts (p.a.)
Private Equity	5.0%
Property	3.5%
Sterling Extra Yield Corporate Bonds	1.3%
Short Duration Credit Bonds	1.1%
Gilts and Index-Linked Gilts	0.0%