

# **Wyevale Garden Centres Limited 1993 Group Pension & Life Assurance Scheme**

## **Statement of Investment Principles**

This Statement of Investment Principles covers the Defined Benefit (DB) section of the Wyevale Garden Centres Limited 1993 Group Pension & Life Assurance Scheme (the Scheme).

### **Investment Objective**

The Trustees aim to invest the assets of the DB section prudently to ensure that the benefits promised to members are provided. The Trustees have purchased Annuity Policies to insure these benefits and minimize the risk that the Scheme is unable to meet this objective.

### **STRATEGY**

#### **Allocation**

The current asset allocation strategy comprises two Annuity Policies in relation to the full Scheme membership and a cash allocation for liquidity management purposes. The Annuity Providers have been delegated with responsibility for managing the assets in line with their individual investment strategies. In determining where the cash allocation should be held, the Trustees take into account the Scheme's expected liquidity needs and the size of the cash allocation.

The Trustees have secured two Annuity Policies with Just and Aviva. The first Annuity Policy was implemented in December 2015 and the second was established in August 2019. The Annuity Policies are intended to match the liabilities for the membership of the Scheme, and to eliminate the interest rate, inflation and longevity risk associated with the Scheme's liabilities.

#### **Setting the strategy**

The overall strategy was determined with regard to the actuarial characteristics of the Scheme, in particular the strength of the funding position and the liability profile. The Trustees consulted with the Company and considered written advice from their investment adviser when choosing the DB section's planned asset allocation strategy.

In setting the investment strategy for the DB section the Trustees' policy was to consider the following:

- A full range of asset classes;
- The risks and rewards of a range of alternative asset allocation strategies;
- The need for appropriate diversification both across asset classes and within asset classes; and
- The suitability of each asset class included in the planned asset allocation strategy.

The Trustees' primary concern is to act in the best financial interests of the Scheme and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. The Trustees consider this risk by taking advice from their investment adviser when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance.

#### **Future investments**

When deciding whether or not to make any new investments the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the fund manager. The written advice will consider the suitability of the investments, the need for diversification and the principles contained in this Statement. The investment adviser will have the knowledge and experience required under Section 36(6) of the Pensions Act.

*This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustee also complies with the requirements to maintain and take advice on the Statement and with the disclosure requirements.*

## **RISK**

The Trustees recognise that the key risk to the Scheme is that it has insufficient assets to meet its liabilities. The Trustees have identified a number of risks which have the potential to impact their ability to make these payments. These are as follows:

- The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ('cash flow risk'). The Trustees will manage the Scheme's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs. Just and Aviva are responsible for providing the cash for benefit payments covered by the Annuity Policies, the risk that it defaults on this obligation is covered under 'Annuity Policy default risk' below.
- The failure to spread investment risk ('risk of lack of diversification'). The Trustees and their advisers considered this risk when setting the Scheme's investment strategy. Although the vast majority of the portfolio is invested in the Annuity Policies, the Trustees and their advisers are comfortable that this is appropriate.
- The possibility of failure of the Scheme's sponsoring employer ('covenant risk'). The Trustees and their advisers considered this risk when setting the investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- The risk of fraud, poor advice or acts of negligence ('operational risk'). The Trustees have sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.
- The risk that Just and Aviva fail to make the pension payments covered by the Annuity Policies as they fall due ('Annuity Policy default risk'). This risk is mitigated by the collateralisation of the Annuity Policies, the ongoing consideration of Just and Aviva's covenant by the Trustees and their advisors, and protections offered due to Just and Aviva being regulated by the Financial Conduct Authority and The Prudential Regulation Authority.
- The risk that, should the Annuity Policies collateral be returned to the Scheme, it is insufficient to meet the returned liabilities ('insufficient collateral risk'). This risk was considered by the Trustees and their advisers when agreeing the restrictions on how the collateral could be invested, and the assets held will be monitored.
- Due to the complex and interrelated nature of these risks, the Trustees considered the majority of them in a qualitative rather than quantitative manner as part of their formal investment strategy review (normally triennially) and when purchasing the Annuity Policies. Some of these risks may also be modelled explicitly during the course of such reviews.

Having set an investment objective which relates directly to the Scheme's liabilities and implemented it through the use of Annuity Policies, the Trustees' policy is to monitor both the cash fund holding and the Annuity Policy collateral on a quarterly basis.

## **IMPLEMENTATION**

The Trustees' Annuity Policies with Just and Aviva are classified as direct investments. The day to day management of the assets are delegated to the Annuity Providers.

Trustees do not pay fees for the management of the collateral assets over which the Annuity Providers have a fixed charge.

## Decision Making

The Trustees of the Scheme are responsible for the investment of the Scheme's assets. The Trustees take some decisions themselves and delegate others. When deciding which decisions to take themselves and which to delegate, the Trustees have taken into account whether they have the appropriate training and expert advice in order to take an informed decision. The Trustees have established the following decision making structure:

<b>Trustee</b>	<ul style="list-style-type: none"><li>• Make ongoing decisions relevant to the operational principles of the Scheme's investment strategy.</li><li>• Select and monitor planned asset allocation.</li><li>• Select and monitor direct investments.</li><li>• Select and monitor investment adviser and fund managers.</li></ul>
<b>Investment adviser</b>	<ul style="list-style-type: none"><li>• Advise on all aspects of the investment of the Scheme's assets, including implementation of strategy.</li><li>• Advise on this Statement.</li><li>• Provide required training for the Trustees.</li></ul>
<b>Annuity Providers</b>	<ul style="list-style-type: none"><li>• Operate within the terms of this Statement and the written contracts in place.</li></ul>

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased without a contract, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The Trustees' policy is to review the contents of this Statement and its direct investments and to obtain written advice about them at regular intervals (normally annually and at least every three years). Direct investments include vehicles available for members' AVCs. When deciding whether or not to make any new direct investments the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the fund managers.

The written advice will consider the issues set out in the Occupational Pension Scheme (Investment) Regulations 2005, the suitability of the investments, the need for diversification and the principles contained in this Statement. The regulations require all investments to be considered by the Trustees (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries;
- Security;
- Quality;
- Liquidity;
- Profitability;
- Nature and duration of liabilities;
- Tradability on regulated markets;
- Diversification; and
- Use of derivatives.

The investment adviser, Aon Hewitt Limited has the knowledge and experience required under section 36(6) of the Pensions Act 1995.

## **RESPONSIBLE INVESTMENT**

Given the structure of the Annuity Policies, the Trustees are not able to influence the selection of underlying investment holdings within the Policies. In endeavouring to invest in the best financial interests of the beneficiaries, the Trustees have elected to invest in Annuity Policies and cannot therefore directly influence the environmental, social, and governance policies and practices of the companies in which Annuity Policies invest.

The Trustees do not have a formal policy on environmental, social and governance ("ESG") factors (including climate change). Instead, they have delegated the responsibility for these matters to the insurance companies with whom the Trustees have purchased Annuity Policies and who may from time to time report on their current and future actions in these areas.

### **Stewardship – Voting and Engagement**

The Trustees do not have a formal policy on stewardship matters. Instead, they have delegated the responsibility for these matters to the insurance companies with whom the Trustees have purchased Annuity Policies and who may from time to time report on their current and future actions in these areas.

### **Members' Views and Non-Financial Factors**

In setting and implementing the Scheme's investment strategy the Trustees do not take into account the views of individual members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"), given the structure of the Annuity Policies.

## **COST MONITORING**

The Trustees have put in place Annuity Policies with the intention to buy out the Scheme in due course. The Annuity Providers manage the Scheme's assets within their respective policies and any associated costs are managed within the policies themselves. This includes any associated portfolio turnover costs associated with the underlying investments. The Trustees therefore do not monitor costs relating to the policies, however they expect the Annuity Providers to confirm if costs are likely to have an impact on the agreed policies.

## **ARRANGEMENTS WITH THE ANNUITY PROVIDERS**

Before entering into their Annuity Policies, the Trustees reviewed the governing documentation associated with each policy and considered the extent to which they aligned with the Scheme's requirements. Where possible, the Trustees sought to amend that documentation so that there would be more alignment.

The Trustees believe that having appropriate governing documentation is sufficient to incentivize the Annuity Providers managers to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial performance.

There is no set duration for arrangements with the Annuity Providers.

**INVESTMENT ADVISER**

Aon Solutions UK Limited has been selected as investment adviser to the Trustees. It operates under an agreement to provide a service designed to ensure that the Trustees are fully briefed both to take the decisions they are equipped to do so after training and advice and to monitor those decisions that they delegate. Aon Solutions UK Limited is paid on a time-cost basis with a fixed fee in place for certain regular pieces of work.

**September 2020**

Name:

Claire Teagle Trustees Ltd