

**House of Fraser Beatties & Jenners Pension Scheme (“the Scheme”)**

**Statement of Investment Principles**

**Sectionalisation**

The Scheme is sectionalised and consists of two separate Sections. One Section is known as the HOF Section and the other as the BJRB Section. The assets and liabilities of the two Sections are separately identifiable.

**Investment objective**

The Trustee aims to invest the assets of the Scheme to maximise the level of benefits payable to members in excess of PPF benefits whilst having absolute regard to protecting the long-term security of members' benefits. The asset allocation strategy is designed to reflect these two principles.

**Investment strategy**

For both Sections, their investment strategies are to invest according to the following asset allocation:

| Asset class     | Proportion % |
|-----------------|--------------|
| Buy in policies | 100          |
| Total           | 100          |

Having taken appropriate advice, the Trustee holds residual cash in the LGIM Sterling Liquidity Fund, along with utilising the Trustee Bank Account as required, ahead of the completion of the full buy out.

The investment strategy was derived following careful consideration of the nature and duration of the Scheme's liabilities, the risks of investing in the various asset classes, based on the Principal Employer going into administration on 10 August 2018 and the subsequent voluntary liquidation of the remaining Employer on 31 August 2018. In making this decision, the Trustee considered the merits of a range of asset classes.

The benefits of the use of buy in policies have been deemed appropriate, having taken the Trustee's objectives into account.

The Trustee has identified a number of risks which have the potential to cause deterioration in the Scheme's funding level. These are as follows:

- *The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors (“mismatching risk”).*

The Trustee and its advisers considered this risk when setting the investment strategy and agreed that the best way to mitigate these risks was to insure member benefits via the buy-in policies.

- *The risk of a shortfall of liquid assets relative to the Fund's immediate liabilities ("cashflow risk").*

The Trustee and its advisers considered this risk when setting the investment strategy and have acted to minimise its potential effect via the buy in policies.

- *The failure to spread investment risk ("risk of lack of diversification").*

The Trustee and their advisers considered this (and potential counterparty) risk when deciding on which insurers to use to secure buy-in policies with.

- *The risk of fraud, poor advice or acts of negligence ("operational risk").*

The Trustee has sought to minimise such risk by ensuring that all advisers and third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

### **Non-Financial Risks**

Non-financial risks are not applicable given the liabilities are insured via the buy-in policies.

### **Implementation**

The Trustee takes decisions as a group and monitors those that it delegates. Isio Group Limited and Isio Services Limited provide investment advice on an ad hoc basis at the request of the Trustee.

The Scheme's assets are invested with Pension Insurance Corporation plc and Just Retirement Limited ("the insurers") in a series of buy-in policies.

The Trustee has delegated all day-to-day decisions about the operations that fall within the mandate to the insurers through written contracts. When choosing investments, the Trustee, fund managers and insurers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). Fund managers and insurers' duties include voting and corporate governance in relation to the assets.

### **Governance**

The Trustee is responsible for the investment of the Scheme's assets. The Trustee takes some decisions themselves and delegates others. When deciding which decisions to take themselves and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to take an informed decision.

The Trustee expects the insurers to manage the assets delegated to them under the terms of their contract and to give effect to the principles in this Statement so far as is reasonably practicable.

The insurers' remuneration was reflected in the premium paid to them as part of the take on of assets when the buy-in policies were established.

## **Direct investments**

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to a Fund Manager or Insurer through a written contract. When selecting and reviewing any direct investments, the Trustee will obtain appropriate written advice from their investment advisers.

## **Employer-related investments**

The Trustee policy is not to hold any employer-related investments as defined in the Pensions Act 1995, Occupational Pension Schemes (Investment) Regulations 2005 and any subsequent legislative amendments and the buy-in policies are consistent with this.

## **Environmental, Social and Governance (“ESG”) considerations**

The Trustee considers investment risk to include ESG factors and climate change. These risks could negatively impact the Scheme's investments.

As part of the investment management of the Scheme's assets, the Trustee expects the insurers to:

- Where relevant, assess the integration of ESG factors in the investment process; and
- Use its influence to engage to ensure the Scheme's assets are not exposed to undue risk.

These factors were considered as part of selection process of the chosen insurers.

## **Stewardship – voting and engagement**

As part of the management of the Scheme's assets, the Trustee expects the insurers to ensure that (where appropriate) it exercises the Trustee's voting rights in relation to the Scheme's assets.

## **Compliance**

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustee has taken appropriate written advice.

**Signed:**           **Steve Sargent**  
                          **Chair of Trustees**

**Date:**             **20 July 2022**