Statement of Investment Principles

Aon Minet Pension Scheme ("the Scheme")

Contents

Introduction

This Statement sets out the principles governing decisions made about the investment of the assets of the Scheme. This Statement is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Schemes (Investment) Regulations 2005 and to reflect with the Government's Voluntary code of conduct for Institutional Investment in the UK. The Trustee of the Scheme ("the Trustee") also complies with the requirements to maintain and take advice on the Statement and with the disclosure.

The effective date of this Statement is 18 July 2023. The Trustee will review this Statement no later than three years after the effective date of this Statement and without delay after any significant change in investment policy.

Consultations Made and Parties Involved

The Trustee has consulted with the employer prior to writing this Statement and will take the employer's comments into account when it believes it is appropriate to do so.

The Trustee is responsible for the investment strategy of the Scheme. It has obtained and considered written advice on the investment strategy appropriate for the Scheme and on the preparation of this Statement. This advice was provided by Aon Investments Limited ("Aon") who are authorised and regulated by the Financial Conduct Authority.

Aon has been selected as investment adviser to the Trustee. They operate under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions itself and to monitor those it delegates.

Trustee compliance

The Trustee complies with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

Overall Investment Objective

The Trustee of the Aon Minet Pension Scheme aims to invest the assets of the Scheme prudently to ensure that the benefits promised to members are provided. The asset allocation strategy it has selected is designed to achieve a higher return than the lowest risk strategy, while maintaining a prudent approach to meeting the liabilities.

Strategy

The Scheme's asset allocation strategy includes an allocation to a range of asset classes including multi-asset funds, bonds and alternative assets, as per the Appendix.

The 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 Trustee's policy is to make the assumption that "growth" assets will outperform gilts over the long term and assumes that active fund management can be expected to add value.

However, the Trustee recognises the potential volatility in growth asset returns (for example equities), particularly relative to the Scheme's liabilities, and the risk that the fund managers do not achieve the targets set.

Choice of each DB Plan Section's asset allocation

When choosing the Scheme's planned asset allocation strategy, the Trustee considered written advice from its investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes, including annuities.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.

In addition, the Trustee also consulted with the sponsoring employer when setting this strategy.

Governance

The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether they have the appropriate training and expert advice in order to take an informed decision.

Trustee decision making structure

The following decision-making structure has been established:

Trustee

- Prepare and maintain this Statement.
- Monitor actual returns versus Scheme investment objective.
- Set structures and processes for carrying out its role.
- Select, implement, and monitor planned asset allocation strategy.
- Select and monitor direct investments.
- Select and monitor investment advisers and fund managers.
- Make ongoing decisions relevant to the operational principles of the Scheme's investment strategy.

Investment Adviser

- Advise on all aspects of the investment of the Scheme's assets, including selection, implementation, and monitoring.
- Advise on this Statement.
- Provide required training.

Asset Managers

- Operate within the terms of this Statement and their written contracts.
- Select individual investments with regard to their suitability and diversification.
- Advise Trustee on suitability of the indices in its benchmark.

Investment Adviser

The investment adviser operates under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions itself and to monitor those it delegates. The adviser is paid on a time cost basis for all the work they undertake for the Scheme, although fixed fees may be negotiated by the Trustee for certain projects. This structure has been chosen to ensure that cost-effective, independent advice is received.

Direct investments

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where responsibility for the investment is retained by the Scheme Trustee, e.g. the purchase of an insurance policy or AVC contract. The latter are known as **direct investments**.

Review of direct investments

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. These include vehicles available for members' AVCs. In respect of direct investments, the Trustee obtains written advice and considers delegated management of these investments to the fund managers.

The written advice will consider the suitability of the investments, the need for diversification and the principles contained in this statement and the criteria by which such investments should be assessed as set out in the Occupational Pensions Schemes (Investment) Regulations 2005 (regulation 4). The Trustee's investment adviser, Aon, has the knowledge and experience required under the Pensions Act 1995.

Risk

The Trustee recognises that the key risk to the Scheme is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustee has identified a number of risks which have the potential to cause deterioration in the Scheme's funding level and therefore contribute to funding risk. These are as follows:

Mismatching & Currency

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 mismatching risk when setting the investment strategy.

The risk that the fair value or future cash flows of an asset will fluctuate due to changes in foreign exchange rates ("currency risk"). The Trustee and its advisers will consider this risk when setting the investment strategy.

Cashflow & Illiquidity

The risk of a shortfall of liquid assets relative to the Scheme's immediate liabilities ("cashflow risk"). The Trustee and its advisers will manage the Scheme's cashflows taking into account the timing of future payments in order to minimise the probability that this occurs. If realisation of investments in order to meet the benefit outgo were to be made at a time when prices are depressed, this could reduce the likelihood of meeting the primary objectives. To avoid this, the Trustee and its advisers manage the Scheme's cashflow requirements carefully over the short-term.

Asset Manager

The failure by the fund managers to achieve the rate of investment return assumed by the Trustee ("manager risk"). This risk is considered by the Trustee and its advisers both upon the initial appointment of the fund managers and on an ongoing basis thereafter.

Lack of diversification

The failure to spread investment risk ("risk of lack of diversification"). The Trustee and its advisers considered this risk when setting the Scheme's investment strategy.

Covenant

The possibility of failure of the Scheme's sponsoring employer ("covenant risk"). The Trustee and its advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy. In addition, the Trustee has requested the sponsoring employer provide periodic briefings to the Trustee on the current and expected future financial status of the company.

Operational

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.

Credit default

The risk that one of the Scheme's underlying investments will not meet its financial obligations ("credit risk", "default risk"). The Trustee and its advisers have considered this when setting the investment strategy. The Trustee has sought to minimise such risk by ensuring the portfolios are diversified across high quality credit portfolios and monitored by the investment managers.

ESG and Climate

The risk that environmental, social and governance ("ESG") factors (including climate change) negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking advice from its investment advisors when setting the Plan's strategy, selecting managers and monitoring performance. Further detail is provided later in this Statement.

Complexity of risks

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

Monitoring & reporting

The Trustee's policy is to monitor, where possible, these risks quarterly/periodically. The Trustee receives reports showing:

- Actual funding level versus the specific funding objective.
- Performance versus the investment objective.
- Performance of individual fund managers versus their respective benchmarks.
- Any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

The Trustee has a Deed of Guarantee from Aon UK Limited dated 19 March 2002 that, should the Trustee issue a demand on the Guarantee, Aon UK Limited will make such additional contributions as may be necessary to ensure that benefits could be bought out with an insurance company. The Trustee requests confirmation each year that Aon UK Limited could meet their obligations under this guarantee.

Arrangements with Asset Managers

The Trustee regularly (typically at least quarterly) monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustee's policies, including the Trustee's policies on non-financial matters. This includes monitoring the extent to which the Scheme's asset managers:

- Make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- Engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by its investment adviser. The Trustee receives regular (typically at least quarterly) reports and verbal updates from its investment adviser on various items, including the investment strategy, performance, and longer-term positioning of the portfolio.

As part of ongoing monitoring of the Scheme's investment managers, the Trustee uses ESG ratings information provided by its investment adviser, where relevant and available, to monitor the level of the Scheme's investment managers' integration of ESG factors. Furthermore, when reviewing asset allocation and strategic risks, the Trustee considers, where appropriate, the implication of ESG risks on their investments (including climate change risks).

The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives and assesses the asset managers over 3- to 5-year periods.

Before appointing a new asset manager, the Trustee reviews the governing documentation associated with the appointment and consider the extent to which the documentation aligns with the Trustee's policies and objectives. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation – for example, if the Scheme invests in a collective investment vehicle – then the Trustee expresses its expectations to the asset managers by other means (such as through a side letter, in writing, or verbally at Trustee meetings).

The Trustee believes that having appropriate governing documentation, setting clear expectations to their asset managers by other means (where necessary), and regular monitoring of their asset managers' performance, level of remuneration and investment strategy, is in most cases sufficient to incentivise the asset managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where asset managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager, but could ultimately replace the asset manager where this is deemed necessary.

There is no set duration for arrangements with asset managers, although the continued appointment for all asset managers will be reviewed periodically, and at least every three years. For certain closed-ended vehicles, the duration of the arrangement may be defined by the nature of the underlying investments.

The Trustee believes that it has a duty to invest in a responsible manner and where appropriate will query managers on the rationale for holding positions in companies which contribute significant negative externalities to society.

Cost and Transparency

The Trustee is aware of the importance of monitoring asset managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that, in addition to annual management charges, there are a number of other costs incurred by its asset managers that can increase the overall cost incurred by the Scheme's investments.

The Trustee collects regular cost transparency reports covering all of its investments and asks that the investment managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand exactly what it is paying to asset managers.

The Trustee expects all of its asset managers to offer full cost transparency via industry standard templates. This will be reviewed before the appointment of any new managers and includes the existing managers held by the Scheme.

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment managers' Scheme holdings change over a year. The Scheme's investment adviser monitors this on behalf of the Trustee as part of the manager monitoring it provides and flags to the Trustee where there are concerns.

The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable as long as it is consistent with the asset class characteristics and manager's style and historic trends. Where the Trustee's monitoring identifies a lack of consistency, the mandate will be reviewed.

The Trustee evaluates the performance of its asset managers relative to their respective objectives on a regular basis via its investment monitoring reports and updates from the asset managers. The Trustee also reviews the remuneration of the Scheme's asset managers on at least a triennial basis to ensure that these costs are reasonable in the context of the kind and balance of investments held.

The Trustee assesses value for money received from its asset managers on a regular basis by benchmarking their asset managers relative to the wider market. This enables the Trustee to have a detailed understanding of the overall costs irrelevant of net of fees performance and identify opportunities to challenge asset managers where a particular manager or mandate is an outlier.

Implementation

Aon has been selected as investment adviser to the Trustee. They operate under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions itself and to monitor those it delegates. Aon is paid on a time cost basis for all the work they undertake for the Scheme, although fixed fees may be negotiated by the Trustee for certain projects. This structure has been chosen to ensure that cost-effective, independent advice is received.

The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to the relevant fund manager through a written contract. When choosing investments, the Trustee and the fund managers (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). The Trustee will review this Statement of Investment Principles at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the Statement of Investment Principles.

Details of the fund managers that have been appointed to manage assets for the Scheme is contained in the Appendix.

Responsible Investment and Stewardship

In setting the Scheme’s investment strategy, the Trustee aims to act in the best financial interests of the Scheme's beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

Environmental, Social and Governance Considerations

In setting the Scheme’s investment strategy, the Trustee aims to act in the best financial interests of the Scheme's beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk.

The Trustee acknowledges that environmental, social and governance ("ESG") factors, including climate change, are not always fully reflected in market prices and expect the Scheme's investment managers to account for these considerations in a balanced risk/return framework.

As part of its delegated responsibilities, the Trustee expects the Scheme’s investment managers to take into account corporate governance, social, and environmental considerations (including long-term risks posed by sustainability concerns including climate change risks) in the selection, retention and realisation of investments. Any decision should not apply personal ethical or moral judgments to these issues, but should consider the sustainability of business models that are influenced by them.

The Trustee is taking the following steps to monitor and assess ESG related risks and opportunities:

- The Trustee has periodic training on Responsible Investment to understand how ESG factors, including climate change, could impact the Scheme’s assets and liabilities.
- The Trustee includes ESG-related risks, including climate change, on the Scheme’s risk register as part of ongoing risk assessment and monitoring.

While the Trustee purchases annuity policies for risk protection with no expectation of a surrender, the Trustee believes that evidence of ESG credentials is a positive factor to consider in selecting a counterparty for the policy. As such, the Trustee will incorporate annuity providers' ESG credentials in their review of annuity products. As part of its review, the Trustee will consider factors such as:

- Whether the insurer is signed up to the UN Environmental Programme for Sustainable Insurance.
- Whether the insurer is a signatory to the Principles for Responsible Investments (PRI).

- Whether the insurer's primary asset manager for annuities is signed up to the PRI.
- Its investment advisor's overall assessment of the insurer's asset manager's ESG integration into the insurer's asset strategy.

The Trustee is supported in this activity by its investment adviser.

Stewardship – Voting and Engagement

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promoting corporate responsibility in the underlying companies in which its investments reside. The Trustee recognises that ultimately this protects the financial interests of the Scheme and its beneficiaries.

The Trustee delegates all stewardship activities, including voting and engagement, to its appointed investment managers. The Trustee accepts responsibility for how the investment managers steward assets on its behalf, including the casting of votes in line with each manager’s individual voting policies.

The Trustee expects the Scheme’s investment managers to use their influence as major institutional investors to carry out the rights and duties as a shareholder, including exercising voting rights along with – where relevant and appropriate – engaging with underlying investee companies on ESG considerations and other relevant matters (such as the companies’ performance, strategy, risks, capital structure, and management of conflicts of interest).

The Trustee reviews its managers’ voting and engagement policies and activities on an annual basis. The Trustee reviews these factors to check they are aligned with expectations and can reasonably be considered to be in the Trustee’s, and therefore the members’, best interests. The Trustee expects that their investment managers will provide details of their stewardship activities on an annual basis and will monitor this with input from their investment adviser. The Trustee will engage with their investment managers where necessary for more information. Prospective managers are required to provide this information in advance of their appointment.

Should the Trustee’s monitoring process reveal that a manager’s voting and engagement policies and actions are not aligned with the Trustee’s expectations, the Trustee will engage with the manager to discuss how alignment may be improved. If, following engagement with the manager, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the arrangements with the manager may be altered or its appointment terminated.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an asset manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy, the Trustee acts for the members as a whole and does not currently explicitly take into account the views of individual members in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors"). At present, the Trustee has no plans to seek the views of the membership in relation to non-financial factors. The Trustee will keep this policy under review.

Initiatives and Industry Collaboration

As part of its delegated responsibilities, the Trustee expects the Scheme's investment adviser to be involved with, or signatory to, relevant international and UK-wide responsible investment initiatives.

Effective date of Statement: 18 July 2023

Signed on behalf of Aon Minet Pension Trustee Limited as Trustee of the Aon Minet Pension Scheme:

NAME	SIGNATURE	DATE
NAME	SIGNATURE	DATE

Appendix: Schedule of Investment Arrangements

This Appendix sets out the Trustee's current investment strategy and is supplementary to the Trustee's Statement of Investment Principles (the "attached Statement").

The Trustee's investment strategy has been established in order to maximise the likelihood of achieving the primary objectives set out in the attached Statement. The details are laid out below.

1. Asset Allocation Strategy

The Scheme's broad investment policy is for the Scheme's assets to be invested with an allocation to the "Matching Portfolio", consisting of a Liability Driven Investment mandate and annuity policies, and an allocation to the "Growth Portfolio", consisting of multi-asset funds and bonds.

The aim of the Matching Portfolio is to provide a target hedge against the impact of interest rates and inflation of 95% measured against the solvency basis.

The aim of the Growth Portfolio is to provide asset growth above that assumed in the triennial actuarial valuation.

As at 30 June 2023 the Scheme was invested 75% in the Matching Portfolio and 25% in the Growth Portfolio. The asset allocation strategy is reviewed every three years (or earlier should there be a significant event).

2. Investment Management Arrangements

2.1. Matching Portfolio

There is no strategic asset allocation set between the underlying assets of the Matching Portfolio.

2.1.1. Annuity policies

The Scheme holds annuity policies with Legal & General and with the Pension Insurance Corporation in respect of various tranches of the pensioner population.

2.1.2. Liability Driven Investment (LDI) Mandate

The Scheme's LDI assets are invested with Legal & General Investment Management (LGIM) in a segregated portfolio, which aims to provide nominal and real returns reflecting the Scheme's liability benchmark using a variety of instruments including (but not necessarily limited to) cash, gilts, index-linked gilts, gilt repurchase agreements, interest rate and inflation swaps and Total Return Swaps.

2.2. Growth Portfolio

The target asset allocation of the Growth Portfolio is as follows:

Asset Class	Target	Tolerance
Multi-Asset Funds	25%	+/- 5%
Bonds	75%	+/- 5%
Total	**100%**	

2.2.1. Multi-Asset Mandate

The Scheme's multi-asset funds are invested with BlackRock and with Aon's Delegated Consulting Services (DCS) as follows:

Manager	Fund	Benchmark	Target (over rolling three-year periods) gross of fees	Expected Tracking Error
BlackRock	Dynamic Diversified Growth	3 Month LIBOR	Benchmark +3% p.a. over rolling 3-year periods (net of fees)	n/a
DCS	Managed Strategy	3 Month LIBOR	Benchmark +4% p.a. over rolling 3-year periods	n/a

2.2.2. Bond Mandate

The Scheme's bonds are invested with JP Morgan and Insight as follows:

Manager	Fund	Benchmark	Target (over rolling three-year periods) gross of fees	Expected Tracking Error
Insight	Bonds Plus Fund	3 Month LIBOR (UK) Total Return Index	Benchmark +2% p.a.	n/a
JP Morgan	Multi Sector Credit Fund	n/a	Total Return of	n/a

2.2.3. Alternative assets

The Scheme also invests in a legacy Private Equity portfolio with Apollo. This portfolio is in the process of making final distributions to investors and does not form a strategic or tactical allocation within the Scheme going forward.

2.3. Cash balances

A working balance of cash is held for imminent payment of benefits and expenses, within the Trustee Bank Account. Under normal circumstances it is not the Trustee's intention to hold a significant cash balance and this is carefully monitored by the Scheme's administrator.

2.4. Re-balancing arrangements

The Trustee reviews the balance of the assets on a quarterly basis, following which appropriate corrective action is taken, if required. All new contributions are invested in line with the long-term asset allocation strategy unless the Trustee agrees to redirect contributions, having considered the asset allocation of the Scheme.

3. Fee structure for advisers and managers

3.1. Advisers

The Trustee's investment advisers are paid for advice received on the basis of the time spent by the adviser. For significant areas of advice (e.g. one off special jobs, or large jobs, such as asset and liability modelling), the Trustee will endeavour to agree a project budget. These arrangements recognise the bespoke nature of the advice given and that no investment decisions have been delegated to the adviser.

3.2 Investment managers

The investment managers are remunerated as a set percentage of the assets under management. This is in keeping with market practice.

3.3. Summary of investment management fee arrangements

Manager	Asset Classes	Fee Scale
LGIM	LDI	Chargeable according to the underlying asset, for example: Gilts and index-linked gilts – 0.06% p.a. Cash (Sterling Liquidity Fund) – 0.10% p.a. Interest rate and inflation swaps – 0.035% p.a. Gilt Repurchase Agreements & Total Return Swaps – 0.04% p.a. (Total portfolio subject to a minimum fee of £200,000 p.a.)
BlackRock	Multi-asset	0.55% p.a. AMC 0.67% p.a. TER (est.)
DCS	Multi-asset	0.59% p.a. AMC (inc. 0.3% fiduciary fee and 0.29% underlying manager fees) 0.72% p.a. TER (est.)
Insight	Bonds	0.45% p.a.
JP Morgan	Bonds	0.35% p.a. AMC 0.46% p.a. TER (est.)

AMC = annual management charge
TER = Total expense ratio

4. Additional Voluntary Contributions

Members who have previously made Additional Voluntary Contributions ("AVCs") to the Scheme are offered a choice of funds in which to invest their AVC payments. The Trustee's objective is to provide vehicles that enable these members to generate suitable long-term returns, consistent with their reasonable expectations. The Trustee considers that, in making a restricted number of funds available from the chosen providers, it has provided these members with a suitable range of options to meet these expectations.

The investment funds are provided by AEGON and Utmost Life.