HBG GA Pension Scheme (the "Scheme ")

Statement of Investment Principles – September 2020

1. Introduction

The Trustees of the HBG GA Pension Scheme (the “Scheme”) have drawn up this Statement of Investment Principles (the “Statement”) to comply with the requirements of the Pensions Act 1995 (the “Act”) and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Statement is intended to affirm the investment principles that govern decisions about the Scheme’s investments. The Trustees’ investment responsibilities are governed by the Scheme’s Trust Deed and Rules, of which this Statement takes full regard.

In preparing this Statement, the Trustees have consulted a suitably qualified person by obtaining written advice from Mercer Limited (“Mercer”). In addition, consultation has been undertaken with BAM Construct UK Limited (the “Sponsor”) to ascertain whether there are any material issues of which the Trustees should be aware in agreeing the Scheme’s investment arrangements and, in particular on the Trustees’ objectives.

2. Process For Choosing Investments

In considering appropriate investments for the Scheme, the Trustees have obtained and considered the written advice of Mercer, whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees’ opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

The Trustees have appointed Mercer to act as discretionary investment manager. In this capacity and subject to agreed restrictions the Scheme assets are investment in multi-client collective investment schemes (“Mercer Funds”) managed by a management company (Mercer Global Investments Management Limited (“MGIM”)). MGIM has appointed Mercer Global Investments Europe Limited (“MGIE”)) as investment manager of the Mercer Funds. In practice, MGIE delegates the discretionary investment management for the Mercer Funds to third party investment managers based in countries such as Ireland, UK and USA and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund. Mercer has expertise in identifying; selecting and combining highly rated fund managers who are best placed and resourced to manage the Scheme’s assets on a day to day basis.

3. Investment Objectives and Investment Strategy

The Trustees’ primary objective is to make sure the Scheme can meet its obligations to the beneficiaries of the Scheme.

In June 2019, the Trustees conducted a buy-in insurance policy with Aviva Life & Pensions UK Limited (Aviva), a UK Insurance Company authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority. In due course the intention is that the buy-in asset will be moved to a buy-out contract and the Scheme will be wound up.

Under the current policy Aviva is obliged to make payments to meet the Scheme’s liabilities in respect of the benefits under the policy. The Trustees selected Aviva having considered appropriate advice from Mercer and their legal advisers, Pinsent Masons LLP.

Over the buy-in period before wind-up, where an exact match between Scheme benefits and insured benefits is not possible, a “true-up” fund has been established to approximately reserve for these additional costs shortly after the main buy-in premium is paid to Aviva. The true-up fund will also be used to reserve for other estimated costs such as Scheme expenses and the all risks cover insurance premium. The Trustees have also considered the need for liquidity within the investment arrangements.

The asset a mix of the true-up fund is around 2/3rds in a cash fund and 1/3rd in a long-dated UK index-linked government bond fund. The Trustees note that this is not an exact match and is based on broad estimates. The allocations can also be changed in the future as further information becomes available. These asset classes were chosen due to their liquid nature and to reflect the nature of the remaining costs.

For the avoidance of doubt, Mercer will not rebalance these allocations or have discretion on the allocation after the initial investment. The Trustees can specify where disinvestments are taken from.

4. Risk Management and Measurement

There are various risks to which any pension scheme is exposed. The Trustees' policy on risk management is as follows:

- The primary risk upon which the Trustees focus is that arising through a mismatch between the Scheme's assets and its liabilities.
- The Trustees recognise that the Scheme is exposed to operational risk in relation to the buy-in with Aviva, who are taking on the majority of risks in relation to the Scheme's liabilities.
- There is a risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustees.
- To help the Trustees ensure the continuing suitability of the current investments, Mercer provides the Trustees with regular reports regarding the performance of the underlying asset managers appointed within the relevant Mercer Funds to enable to monitoring of differences between the expected and experienced levels of risk and return.
- Responsibility for the safe custody of the Scheme's assets is delegated to MGIM who has appointed State Street Custodial Services (Ireland) Limited as custodian of the assets invested in their vehicles. MGIM is responsible for keeping the suitability of State Street under ongoing review.

Should there be a material change in the Scheme's circumstances, the Trustees will advise Mercer, who will review whether and to what extent the investment arrangements should be altered; in particular, whether the current de-risking strategy remains appropriate.

5. Other assets

In addition to the assets managed by Mercer, the Scheme also holds some historical AVC arrangements.

6. Rebalancing

Mercer will not rebalance the Scheme allocations or have discretion on the allocation after the initial investment.

7. ESG, Stewardship, and Climate Change

As noted above, the Trustees have appointed to act as discretionary investment manager in respect of the Scheme's assets and as such assets are invested in a range of Mercer Funds managed by MGIE. This delegation includes environmental, social, and corporate governance (ESG) factors, Stewardship and Climate Change.

The Trustees have reviewed Mercer's Sustainable Investment Policy and note that Mercer believes that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustees also note that, aside from the buy-in policy with Aviva, as the Scheme is entirely invested in gilts and cash, there is limited scope to apply these principles.

Asset managers appointed to Mercer Funds are expected to evaluate ESG factors, including climate change considerations, and exercise voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees consider how ESG, climate change and stewardship is integrated within Mercer's, and MGIE's, investment processes and those of the underlying asset managers in the monitoring process.

8. Trustees' policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs

When engaging Mercer as discretionary investment manager to implement the Trustees' investment strategy outlined in section 3, the Trustees are concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Scheme, in particular, long-term liabilities.

As Mercer manages the Scheme's assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, the Trustees accept that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds but the Trustees expect Mercer to manage the assets in a manner that is consistent with the Trustees' overall investment strategy as outlined in section 3. The Trustees have taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.

Should Mercer fail to align its investment strategies and decisions with the Trustees' policies, it is open to the Trustees to disinvest some or all of the assets invested managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer's appointment.

To evaluate performance, the Trustees receive, and consider, investment performance reports produced on a quarterly basis, which presents performance information and commentary in respect of the Scheme's funding level and the Mercer Funds in which the Trustees are invested. Such reports have information covering fund performance for the previous three months, one year, three years and since inception. The Trustees review the absolute performance and relative performance against a portfolio's and underlying investment manager's benchmark (over the relevant time period) on a net of fees basis. The Trustees' focus is on the medium to long-term financial and non-financial performance of Mercer and the Mercer Funds.

Neither Mercer or MGIE make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustees are, however, able to consider Mercer's and MGIE's assessment of how each underlying third party asset manager embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustees' own responsible investment policy. This includes the asset managers' policies on voting and engagement.

The Scheme's portfolio is invested in around 2/3rds in a cash fund and 1/3rd in a long-dated index-linked gilt fund. Mercer, as discretionary investment manager, monitors the underlying managers of these funds on the Trustees' behalf. Given the asset classes invested and Mercer's role as discretionary investment manager, there is limited scope for the Trustees to monitor and engage with relevant persons.

Section 7 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund's investment objectives or the objectives/policies of the Scheme.

The asset managers are incentivised as they will be aware that their continued appointment by MGIE will be based on their success in meeting MGIE's expectations. If MGIE is dissatisfied then it will, where appropriate, seek to replace the manager.

The Trustees are long term investors and are not looking to change their investment arrangements on an unduly frequent basis. However, the Trustees do keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above.

The Trustees monitor, and evaluate, the fees it pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives as outlined in section 3. Mercer's, and MGIE's, fees are based on a percentage of the value of the Scheme's assets under management which covers the design and annual review of the de-risking strategy, and investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Scheme. Mercer's, MGIE's, and the third party asset managers', fees are outlined in a quarterly investment strategy report prepared for the Trustees, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.

Details of all costs and expenses are included in the Mercer Fund's Supplements, the Report & Accounts and within the Scheme's annualized, MiFID II compliant Personalised Cost & Charges statement. The Scheme's Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Mercer Funds.

The Trustees do not have an explicit targeted portfolio turnover range, given the de-risking mandate, but rebalancing ranges have been designed to avoid unnecessary transaction costs (the costs incurred as a result of the buying, selling, lending or borrowing of investments) being incurred by unduly frequent rebalancing. Performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying investment managers undertaken by MGIE.

9. Review of this Statement

The Trustees will review this Statement in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustees and the Company which they judge to have a bearing on the stated Investment Policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone whom the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments

Date of Amendments

First Amendment:	May 2000 - addition of policy on SRI and Corporate Governance
Second Amendment:	October 2002 - Revised investment strategy & structure
Third Amendment:	December 2003 – Funding developments, plus Myners
Fourth Amendment:	June 2007 – Revised investment strategy and 2006 regulations
Fifth Amendment:	September 2007 – Revised investment strategy
Sixth Amendment:	March 2008 – Revised investment strategy
Seventh Amendment:	November 2011 – Revised overseas equity benchmark, Scheme name change
Eighth Amendment:	April 2012 – Split of day to day management of assets section to a separate Investment Implementation Policy Document (“IIPD”), change to bond benchmark and introduction of Standard Life GARS fund.
Ninth Amendment:	December 2012- transfer from UK equities to corporate bonds
Tenth Amendment:	October 2013- Significant re write as a result of the move to a delegated structure under MDDS
Eleventh Amendment:	October 2016 - updating objectives given investment strategy review
Twelfth Amendment:	January 2019 – updating strategy given the move to 100% Matching portfolio
Thirteenth Amendment:	April 2019 – updating ESG section given new DWP Regulations
Fourteenth Amendment:	July 2019 – updating following Aviva buy-in
Fifteenth Amendment:	September 2020 – updating for regulatory requirements