# Janson Green Group Pension Scheme (the “Scheme”)

## Statement of Investment Principles (the “Statement”)

## Scope of Statement

This Statement has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005).

The effective date of this Statement is 27 March 2024. The Trustees will review this Statement and the Scheme’s investment strategy no later than three years after the effective date of this statement and without delay after any significant change in investment policy.

## Consultations made

The Trustees have consulted with the principal employer, QBE Management Services (UK) Limited (the "Employer"), prior to writing this Statement and will take the Employer’s comments into account when they believe it is appropriate to do so. The Trustees have also consulted with QBE European Operations PLC with whom the Trustees have a guarantee regarding the liabilities of the Scheme.

The Trustees are responsible for the investment strategy of the Janson Green Group Pension Scheme. They have obtained 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 who are authorised and regulated by the Financial Conduct Authority.

The day to day management of the Scheme's assets has been delegated to fund managers who are authorised and regulated by the Financial Conduct Authority. A copy of this Statement has been provided to the fund managers and is available to the members of the Scheme. The Trustees also make a copy of this Statement available on a website that is accessible to the public.

## Objectives and policy for securing objectives

The Trustees' primary objectives are:

- “funding objective” - to ensure that the Scheme is fully funded using assumptions that contain a margin for prudence. Where an actuarial valuation reveals a deficit, a recovery plan will be put in place which will take into account the financial covenant of the Employer;
- “stability objective” – to have due regard to the likely level and volatility of required contributions when setting the Scheme’s investment strategy;
- “stability objective” – to manage interest rate and inflation risk inherent in the Scheme’s funding position by maintaining target hedge ratios of c.100% of value of the Scheme’s assets; and
- “security objective” – to ensure that the solvency position of the Scheme is expected to improve. The Trustees will take into account the strength of Employer’s covenant when determining the expected improvement in the solvency position of the Scheme.

The Trustees recognise that these objectives may conflict. For example, a larger allocation to more defensive assets may give greater security, but may result in a level of contributions which the

Employer may find too difficult to support. The Trustees also recognise that in resolving this conflict, it may be necessary to accept some risk.

In setting the Scheme's investment 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 believe that in order to fulfil this commitment and to protect and enhance the value of the Scheme's investments, they must act as responsible stewards of the assets in which the Scheme invests.

## Choosing investments

The types of investments held and the balance between them is deemed appropriate given the liability profile of the Scheme, its cashflow requirements, the funding level of the Scheme and the Trustees' objectives.

The assets of the Scheme are invested in the best interests of the members and beneficiaries.

The Trustees exercise their powers of investment (or delegation where these powers have been delegated to a fund manager) in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk a spread of assets is held.

Assets held to cover the Scheme's technical provisions (the liabilities of the Scheme) are invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

The assets of the Scheme are invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on a particular asset class, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Day to day selection of securities is delegated to fund managers appointed by the Trustees. The Trustees take expert advice on the review and selection of their fund managers and will endeavour to invest in a diversified portfolio of fund managers to avoid excessive reliance on a particular manager. Aon Investments Limited has been appointed as a fund of funds manager for the Scheme's actively managed global fixed income portfolio and will in this capacity manage this risk.

Investment in derivatives is only made in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed so as to avoid excessive risk exposure to a single counterparty or other derivative operations.

## The balance between different kinds of investments

The Trustees recognise that the key source of financial risk (in relation to meeting their objectives) arises from asset allocation. They therefore retain responsibility for setting asset allocation and take expert advice as required from their professional advisers.

The Trustees review their investment strategy following each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). The Trustees take written advice from their professional advisers regarding an appropriate investment strategy for the Scheme.

The asset allocation set out in the Appendix was implemented after considering a review of the Scheme's long term investment strategy objectives.

A broad range of available asset classes have been considered. This includes consideration of so called "alternative" asset classes.

## Investment risk measurement and management

The key investment risks are recognised as arising from asset allocation. These are assessed at least triennially in conjunction with the actuarial valuation of the Scheme, following which the Trustees take advice on the continued appropriateness of the existing investment strategy.

Risks associated with changes in the Employer covenant are assessed by monitoring the Failure Score (as defined for the purposes of calculating the risk-based element of the Pension Protection Fund levy). The Trustees also have an agreement with the employer to receive notification of any events which have the potential to alter the creditworthiness of the sponsoring employers. In particular, the Trustees will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator and employer-related Notifiable Events. On receipt of such notification, the Trustees will re-consider the continued appropriateness of the Scheme's existing investment strategy.

The Trustees monitor the risks arising through the selection or appointment of fund managers on a quarterly basis via investment monitoring reports prepared by their professional advisors. The Trustees have appointed Aon Investments Limited to alert them on any matters of material significance that might affect the ability of the fund managers to achieve their objectives.

## Custody

Investments in pooled funds give the Trustees a right to the cash value of the units rather than to the underlying assets. The managers of the pooled funds are responsible for the appointment and monitoring of the custodian of each fund's assets. The custodians are independent from the Employer.

## Expected returns on assets

Over the long-term the Trustees' expectations are:

- for the "growth" assets to achieve a return in excess of cash rates (SONIA). The Trustees are willing to incur an acceptable level of short-term volatility in asset price behaviour with the expectation that over the long term these growth assets will outperform asset classes which may be regarded as matching the liabilities.
- for the "matching" assets:

  for fixed (resp. real) pooled liability driven investment funds, to achieve a rate of return and short term price behaviour which is broadly in line with changes in the cost of providing fixed (resp. real) annuities.

The investment strategy as a whole, i.e. both growth and matching assets, is expected to achieve an investment return that is higher than the discount rate underlying the latest actuarial valuation of the Scheme, thus providing a margin of prudence and aiming to improve the funding level over time.

The Trustees' current expected nominal return assumptions for the main asset classes for the next 10 years, as taken from Aon's 'Capital Market Assumptions' dated 31 December 2023, are as follows:

- UK inflation – Consumer Price Index (CPI) 2.3% pa / Retail Price Index (RPI) 2.9% pa
- 15 year UK index-linked gilts – 3.2% pa
- 15 year UK fixed income gilts – 4.2% pa
- 10 year UK investment grade corporate bonds – 4.2% pa

Returns achieved by the fund managers are assessed against performance benchmarks set by the Trustees in consultation with their advisers and fund managers.

## Realisation of investments / liquidity

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise.

The majority of the assets held are realisable at short notice (either through the sale of direct holdings of stocks, bonds etc. or the sale of units in pooled funds).

## Environmental, social and governance considerations

The Trustees acknowledge that an understanding of financially material considerations including environmental, social and corporate governance (ESG) factors (such as climate change) and risks related to these factors can contribute to the identification of investment opportunities and financially material risks.

As part of their delegated responsibilities, the Trustees expect the Scheme's fund 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 Trustees are taking the following steps to monitor and assess ESG related risks and opportunities:

- The Trustees will have periodic training on Responsible Investment to understand how ESG factors, including climate change, could impact the Scheme's assets and liabilities.

- As part of ongoing monitoring of the Scheme's fund managers, the Trustees will use ESG ratings information provided by Aon, where relevant and available, to monitor the level of the Scheme's fund managers' integration of ESG on a regular basis.

- Should the Trustees look to appoint a new fund manager, as part of the selection process, the Trustees will request information on the manager's Responsible Investment Policy and details of how they integrate ESG into their investment decision making process. All responses will be reviewed and monitored with input from their investment consultant.

## Stewardship – voting and engagement

The Trustees recognise the importance of their role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately creates long-term financial value for the Scheme and its beneficiaries.

The Trustees regularly review the suitability of the appointed fund managers and take advice from their investment consultant regarding any changes. Where applicable, this advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustees expect, the Trustees undertake to engage with the manager and seek a more sustainable position and may ultimately look to replace the manager.

The Trustees review the stewardship activities of the fund managers on an annual basis, covering both engagement and voting actions, and will include this information within the Engagement Policy Implementation Statement ("EPIS"). The Trustees will review the alignment of their policies with those of the fund managers and look for the managers, or other third parties, to use their influence as major institutional investors to carry out the Trustees' rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with underlying investee companies and assets to promote good corporate governance, accountability and positive change.

The Trustees may engage with the fund managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

The Trustees have delegated all voting and engagement activities to the Scheme's fund managers. The Trustees accept responsibility for how the managers steward assets on their behalf, including the casting of votes in line with each manager's individual voting policy.

The Trustees 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. When a concern is identified, the Trustees will engage with the investment consultant to consider the methods by which, and the circumstances under which, they will monitor and engage with the fund manager and other stakeholders.

## Arrangements with fund managers

The Trustees regularly monitor the Scheme's investments to consider the extent to which the investment strategy and decisions of the fund managers are aligned with the Trustees' policies, including those on non-financial matters. This includes monitoring the extent to which fund 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 Trustees are supported in this monitoring activity by their investment consultant.

The Trustees receive quarterly reports and verbal updates from the investment consultant on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme's objectives and assess the fund managers over the long term.

The Trustees also receive annual stewardship reports on the monitoring and engagement activities carried out by their fund managers, which support the Trustees in determining the extent to which the Scheme's engagement policy has been followed throughout the year.

In line with the required actions from the Pensions Regulator, on an annual basis the Trustees will produce an EPIS which will be included in the annual reports and accounts.

Before the appointment of a new fund manager, the Trustees review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees' policies. Where possible, the Trustees 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 vehicle, then the Trustees will express their expectations to the fund managers.

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

## Members' views and non-financial factors

The Trustees do not specifically take into account the views of Scheme members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life of the members and beneficiaries of the Scheme (defined as 'non-financial factors' in the 2018 Regulations). The Trustees will review their policy towards this on a triennial basis.

## Cost monitoring

The Trustees are aware of the importance of monitoring their fund managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustees recognise that in addition to annual management charges, other costs will be incurred by the fund managers that will increase the overall cost incurred by their investments.

The Trustees collect annual cost transparency reports covering all of their investments and ask that the fund managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustees to understand exactly what they're paying their fund managers. The Trustees work with their investment consultant and fund managers to understand these costs in more detail where required.

The Trustees assess the performance of their fund managers on a quarterly basis and the remuneration of their fund managers on at least an annual basis via collecting cost data in line with the CTI templates.

The Trustees are aware of portfolio turnover costs (portfolio turnover costs are defined as the costs incurred as a result of the buying, selling, lending or borrowing of investments) associated with their underlying investments through the information provided by their fund managers. The monitoring of the target portfolio turnover and turnover range is monitored annually with the assistance of the investment consultant.

The Trustees accept 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 Trustees' monitoring identifies a lack of consistency the mandate will be reviewed.

The Trustees are supported in their cost transparency monitoring activity by their investment consultant.

## Additional Voluntary Contributions ("AVC") arrangements

Since there are no longer any active members of the Scheme, members cannot pay AVC within the Scheme. The liabilities in respect of previous AVC are equal to the value of the investments bought by the contributions. Details of AVC providers are included in the Appendix to this Statement.

From time to time the Trustees review the choice of investments available to members to ensure that they remain appropriate to the members' needs.

**For and on behalf of the Trustees of the Janson Green Group Pension Scheme**

# The Janson Green Group Pension Scheme

# Appendix to the Statement of Investment Principles

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

The Trustees' 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 Trustees review the asset allocation on a regular basis. The table below sets out a target allocation and a control range for each asset class:

| Asset/Fund | Target allocation (%) | Control range (%) |
|---|---|---|
| Liability Driven Investments (LDI) | 25 | 20-40 |
| Absolute Return Bonds | 70 | 50-80 |
| Asset Backed Securities | 5 | 0-10 |
| Real Estate Debt* | 0 | 0-15 |

**At the time of writing this statement, the Scheme had an allocation to Real Estate Debt. However, this asset class no longer forms part of the Trustees' strategic investment allocation. The Real Estate Debt investment is in the process of returning capital to investors and the allocation is expected to gradually decrease over 2024 before being fully repaid in 2025.*

The Trustees monitor the asset allocation quarterly and will rebalance the portfolio as required within the ranges set out above.

The Trustees aim to match changes in the value of the Scheme's liabilities that arise from fluctuations in interest rates and inflation by using a range of Liability Driven Investment (LDI) funds. The allocation to the LDI funds will be re-balanced every three years following each triennial actuarial valuation.

The Trustees believe that the hedge ratio should be increased over time as the Scheme's funding level improves, to reduce the impact of any adverse market movement in interest rates or inflation that would decrease the funding level. The Trustees' target is to hedge approximately 100% of the interest rate and inflation sensitivity inherent in the Scheme's liabilities up to the value of the Scheme's assets.

# 2. Investment Management Arrangements

The Trustees have appointed the following fund managers with whom day-to-day responsibility for the investment of the Scheme's assets rests.

## 2.1 Insight Investment Management

Insight have been selected to manage a liability driven investment portfolio and an Asset Back Securities fund:

| Fund | Performance Measurement Benchmark | Benchmark Outperformance Target |
|---|---|---|
| Insight Leveraged Gilt Funds | Bespoke Liability Benchmark | N/A |
| Insight Liquid ABS Fund | SONIA | Provide positive absolute returns in excess of SONIA |

## 2.2 Aon Investment Limited (“AIL”)

| Fund | Performance Measurement Benchmark | Benchmark Outperformance Target |
|---|---|---|
| AIL Absolute Return Bond Fund | SONIA | Outperform benchmark by 2% pa over rolling three year periods (net of fees) |

## 2.3 Nuveen

| Fund | Performance Measurement Benchmark | Benchmark Outperformance Target |
|---|---|---|
| Nuveen Global Real Estate Debt Partners – Fund II | Net IRR of 7% p.a. | N/A |

# 3. Cash balances

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

# 4. Fee structure for advisers and managers

## ▪ Advisers

The Trustees' 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 Trustees 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.

## ▪ Fund managers

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

| **Fund/Strategy** | **Fee Scale (% of assets under management)** |
|---|---|
| AIL Absolute Return Bond Fund^ | 0.19% pa on first £30 million<br>0.15% pa thereafter |
| Insight Leveraged Gilt Funds | 0.06% pa on the first £100 million hedged liability<br>0.055% pa on the next £150 million<br>0.05% pa on any amount above £250 million |
| Insight Liquid ABS Fund | 0.20% pa |
| Nuveen Global Real Estate Debt Partners – Fund II | 0.75% pa on invested capital |

^Underlying manager fees are payable in addition.

# 5. Additional Voluntary Contributions (AVC)

Assets in respect of AVC arrangements are held with Clerical Medical and Utmost.