Statement of Investment Principles

Ballyvesey Group Pension Scheme

October 2024

Contents

01 Introduction

Purpose

This document constitutes the Statement of Investment Principles (“the SIP”) required under Section 35 of the Pensions (Northern Ireland) Order 1995 (“the Order”) for the Ballyvesey Group Pension Scheme (“the Scheme”). It describes the investment policy being pursued by the Trustees of the Scheme and is in accordance with the Government’s voluntary code of conduct for Institutional Investment in the UK (“the Myners Principles”). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations (Northern Ireland) 2005.

Scheme details

The exclusive purpose of the Scheme is to provide retirement and death benefits to eligible participants and beneficiaries.

The Investment Consultant is XPS Investment Limited.

Advice and consultation

Before preparing this Statement, the Trustees have sought advice from the Scheme’s Investment Consultant, XPS Investment Limited. The Trustees have also consulted the Principal Employer. The Trustees will consult the Principal Employer on any future changes in investment policy as set out in this Statement.

Investment powers

The Scheme’s Trust Deed and Rules set out the investment powers of the Trustees. This Statement is consistent with those powers. Neither this Statement nor the Trust Deed and Rules restricts the Trustees’ investment powers by requiring the consent of the Principal Employer.

In accordance with the Financial Services and Markets Act 2000, the Trustees set general investment policy but delegate responsibility for the selection of the specific securities and any financial instruments in which the Scheme invests to the Investment Managers.

Review of the Statement

The Trustees will review this Statement and their investment policy at least every three years in conjunction with each triennial valuation or immediately following any significant changes in investment policy.

The Trustees will also review this Statement in response to any material changes to any aspect of the Scheme, its liabilities, finances, and attitude to risk of either the Trustees or Principal Employer which it judges to have a bearing on the stated investment policy.

The Trustees will receive confirmation of the continued appropriateness of this Statement annually, or more frequently, if appropriate.

02 Definitions

Definitions

Capitalised terms in this document mean the following:

Order - The Pensions (Northern Ireland) Order 1995;

AVCs - Additional Voluntary Contributions;

Buy-in - An insurance policy that covers some or all of a pension Scheme's liabilities and removes the risk that the Scheme cannot pay the future benefits covered by the policy;

Buy-out - An insurance policy that is purchased which covers all of the Scheme's liabilities, and assigns these to individual members thus completely removing the risk and liability from the Trustees and Sponsoring Employer;

Insurance Provider - Aviva Plc ("Aviva")

Investment Manager - An organisation appointed by the Trustees to manage investments on behalf of the Scheme;

Principal Employer - Ballyvesey Holdings Limited;

Recovery Plan - The agreement between the Trustees and the Principal Employer to address the funding deficit;

Scheme - Ballyvesey Group Pension Scheme

Statement - This document, including any appendices, which is the Trustees' Statement of Investment Principles;

Trust Deed and Rules - The Scheme's Trust Deed and Rules;

Trustees - The individuals responsible for the investment of the Scheme's assets and managing the administration of the Scheme;

Buy-out Basis - The amount required, on an actuarial calculation, to make provision for the Scheme's liabilities;

03 Strategic investment policy and objectives

Choosing investments

The Trustees have selected buy-in policies through which benefits due under the Scheme are secured. The selection of the buy-in policies was made having taken written investment advice. The advice covered the suitability of the insurance policy, whether there was any need for diversification given Scheme circumstances and the principles within this Statement.

The Trustees' policy is to regularly review the investments over which they retain control and to obtain written advice about them when necessary. 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 Investment Managers. The written advice will consider suitability of the investments, the need for diversification and the principles within this Statement. The adviser will have the knowledge and experience required under Section 36(6) of the Order.

Long-term objectives

The primary investment objective of the Trustees is to seek to ensure the Scheme is able to meet the benefit payments promised as and when they fall due from a combination of investment returns and planned contributions.

Having regard to the primary investment objective and subject to the strength of the employer covenant, the Trustees will seek to limit the risk of the assets failing to meet the liabilities of the Scheme as and when they fall due, both over the short term and longer-term basis.

The expectation is that the Scheme will complete a full buy-out in due course.

Expected returns

By securing benefits through the buy-in policies, the Trustees expect that the change in value of the insurance policy will match the change in value of the benefits due under the Scheme.

Investment policy

Following advice from the Investment Consultant, the Trustees have set the investment policy and objectives with regard to the Scheme's liabilities and funding level.

This resulted in the Trustees completing a buy-in of the Scheme's liabilities with an Insurance Provider, Aviva, in March 2024.

The investment policy the Trustees have adopted is detailed in the Appendix.

Range of assets

The Scheme's assets are invested in a buy-in policy. The Trustees have no direct influence on the range of assets which support the payments due under the policy. The Insurance Provider will invest in an appropriate range of assets in line with the risk profile of their annuity business and the regulatory and capital regime they are required to comply with. Although there is a concentration of assets in the buy-in arrangements, the Trustees deem this concentration appropriate as it closely matches the objective of the Scheme.

The Trustees consider the arrangement with the Insurance Provider to be aligned with the Scheme's overall strategic objectives. The Insurance Provider is incentivised to perform in line with expectations for their specific mandate to enable the Insurance Provider to meet all of the benefits insured and comply with regulatory and capital requirements.

When the Trustees considered which Insurance Provider to purchase buy-in policies from, the ESG factors and climate change risk credentials of the Insurance Provider were considered. XPS Investment Limited consider Aviva to have an ESG rating of Green.

04 Responsible investment

The Trustees' stance on responsible investment is now a direct consequence of the Scheme's short term time horizon as it prepares for buy-out. As the assets of the Scheme are invested with an Insurance Provider in a buy-in policy, ESG factors are not expected to have a material impact on investment risk and return outcomes over the time horizon of the investment. However, the Trustees have delegated to the Insurance Provider the responsibility for assessing any impact of ESG factors when making investment decisions in relation to the assets it holds to support the buy-in policy.

As the Scheme invests in a buy-in policy, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the buy-in policy invests. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the Insurance Provider. The Trustees encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require the Insurance Provider to report on significant votes made on behalf of the Trustees.

If the Trustees have become aware of the Insurance Provider engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees' expectations, then the Trustees may consider terminating the relationship.

05 Risk measurement and management

The Trustees recognise a number of risks involved in the investment of the assets of the Scheme. The Trustees measure and manage these risks as follows:

Solvency risk and mismatching risk - The risk that the assets do not respond to market changes in the same way as the liabilities resulting in volatility in the funding position, is addressed through the purchase of a buy-in policy which is expected to match the payments of the benefits due.

Liquidity risk - The risk that assets cannot be sold quickly enough to enable benefits to be paid or that the Trustees cannot exit a particular investment is addressed through the process by which the administrator estimates the benefit outgo and ensures that sufficient cash balances are available, and through the Trustees' policy on realisation of assets (see below).

Inappropriate investments - The risk that an Investment Manager or Insurance Provider invests in assets or instruments that are not considered to be appropriate by the Trustees is addressed through the Trustees' policy on the range of assets in which the Scheme can invest (see section 3).

Counterparty risk - The risk that a third party fails to deliver cash or other assets owed to the Scheme is addressed through Insurer guidelines with respect to cash and counterparty management. In respect of the buy-in contract, the Financial Services Compensation Scheme provides an extra level of security should the insurer fail.

Political risk - The risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.

Custodian risk - The risk that a custodian fails to provide the services expected is addressed through the agreement with the third-party custodian and ongoing monitoring of the custodial arrangements. In pooled arrangements this is invariably delegated to the Investment Managers.

Fraud/Dishonesty - The risk that the Scheme's assets are reduced by illegal actions is addressed through restrictions applied as to who can authorise transfer of cash and the account to which transfers can be made.

Currency risk - The risk of losses through depreciation of non-sterling currencies is measured by reference to the exposure of the Scheme to pooled funds with unhedged currency risk and is managed by investing predominantly in sterling assets and only taking currency risk where it increases the level of diversification.

ESG risk - The risk that environmental, social and governance factors can have a material effect on the ability of meeting long-term investment objectives is addressed, to the extent that it is possible, by delegating to Investment Managers or Insurance Providers. Further detail is provided in this Statement.

06 Realisation of assets and investment restrictions

Realisation of investments

The Scheme has secured a buy-in insurance policy with the Insurance Provider, which provides payments meeting the benefits due under the Scheme. Therefore, a Trustees' policy for sourcing cash from investments to meet Scheme obligations is no longer required.

07 Investment Arrangements and fee structure

Delegation to Insurance Provider

The Trustees have purchased an insurance policy with the Insurance Provider, with the intention of buying-out the Scheme's liabilities. The annuity policy is intended to be in place in the long term to meet all of the benefits payable to members. Therefore, the Trustees have delegated to the Insurance Provider the responsibility for investing the Scheme's assets in ordered to meet the benefits.

The Insurance Provider is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Review process

Given that the Scheme's assets have recently been invested in a buy-in policy with an Insurance Provider, there are no remaining assets held with Investment Managers.

Insurance Providers' fee structure

The Insurance Providers' fees are met through a combination of some or all of the following:

> A margin added to the cost of securing the benefits which reflects the charges paid to the Insurance Providers.

> Any excess of assets over Scheme benefits paid out, throughout the life of the policy.

Portfolio turnover - Insurance Provider

Given that the Trustees have secured buy-in policies, the portfolio turnover on the underlying assets and costs is a matter for the Insurance Provider.

Investment Consultant's fee structure

The Investment Consultant is remunerated for work completed on a fixed fee basis, a time-cost basis or via a project fee. It is felt that this method of remuneration is appropriate because it enables the Investment Consultant to provide the necessary advice and information to facilitate the Trustees in undertaking their responsibilities.

08 Additional Voluntary Contribution arrangements

Provision of AVCs

The Scheme does not currently have any additional voluntary contributions (AVCs) arrangements.

09 Compliance Statement

Confirmation of advice

Before a Statement of Investment Principles, as required by the Pensions (Northern Ireland) Order 1995, is prepared or revised by the trustees of a pension scheme, they must have consulted with the principal employer and obtained and considered the written advice of a person who is reasonably believed by it to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes.

The Investment Consultant hereby confirms to the Trustees that they have the appropriate knowledge and experience to give the advice required by the Order.

Trustees’ declaration

The Trustees confirm that this Statement of Investment Principles reflects the Investment Strategy they have decided to implement. The Trustees acknowledge that it is their responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

On behalf of the Trustees:

Date:

Appendix

Investment Strategy & Structure

Overall Strategy

During March 2024, the Scheme completed a buy-in transaction with Aviva whereby a bulk annuity contract was purchased to cover all member benefits. The premium paid to Aviva to purchase this buy-in policy was financed by selling all of the Scheme's invested assets held with Allianz and LGIM and supplemented by a contribution from the Employer. As at the Scheme's accounting year end date of 5 April 2024, the buy-in policy was valued at £10,619,000.

Contact us

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