PEOPLEPLUS GROUP LTD RETIREMENT BENEFIT SCHEME

STATEMENT OF INVESTMENT PRINCIPLES

1. INTRODUCTION

This statement is made by the PeoplePlus Group Ltd Retirement Benefit Scheme (the "Scheme") for the purposes of, and in accordance with Section 35 of the Pensions Act 1995 ("1995 Act") as amended by the Pensions Act 2004 and regulations made under it ("2004 Act"). This replaces the previous statement dated 26th September 2019.

The purpose of this Statement is to describe the general approach of the Trustees to the investment of the Scheme's assets and the Trustees' policy for securing the compliance with Section 36 of the 1995 Act as amended by Section 245 of the 2004 Act.

The Trustees have prepared this Statement on the basis of written advice from their advisers, Russell Ulyatt Financial Services Ltd. The Trustees believe that their advisers are sufficiently qualified to provide this advice.

The Trustees have also consulted the Employer when preparing this Statement and a signed copy of this Statement has been provided to the Employer.

The Trustees powers of investment are set out in the clause 5 of the Trust Deed dated 18th September 2006. In general the Trustees are not restricted in the kind of investment they can make.

2. FINANCIAL POSITION OF THE SCHEME

The first actuarial valuation was carried out with an effective date of 31st July 2007. The last actuarial valuation took place as at 31st July 2019 and the next formal valuation is due as at the 31st July 2022.

The Employer and Employee contribution rates are set out in a Schedule of Contributions agreed between the Trustees and the Employer.

The Statutory Funding Objective (SFO) requires that the Trustees having taken advice from the Scheme's Actuary, and consulted with the Employer, formulate and maintain a Statement of Funding Principles which takes into account the Scheme's specific circumstances and documents the policy for meeting the SFO.

The Statement of Funding Principles was agreed by the Trustees on the 2nd November 2020 and signed on behalf of the employer on 9th November 2020.

The Employer and Employee contribution rates are set out in a Schedule of Contributions agreed between the Trustees and the Employer dated 9th November 2020

3. INVESTMENT OBJECTIVES

The Trustees' overall investment policy is guided by the following investment objectives which are set down in order of priority:

a) To ensure that the Scheme's benefit obligations may be met as and when they fall due;

b) To obtain a return on the Scheme's assets, subject to a level of risk considered appropriate relative to the nature and term of the liabilities;

c) To achieve satisfactory returns against agreed benchmarks, which are the appropriate sector averages for the fund in question.

d) To pay due regard to the Employer's interest in the size, stability and incidence of the contribution payments.

4. ATTITUDE TO RISK

The Trustees attitude to risk reflects the long term nature of the Scheme's liabilities.

The Trustees overall objective is to provide the benefits described in the Scheme's Trust Deed & Rules at an acceptable level of risk to the Trustees and at an acceptable cost to the Employer. This latter constraint means that the Trustees are unable to adopt a minimum risk investment strategy. Therefore, the Trustees must take investment risk, provided that this is appropriate given the liabilities and circumstances of the Scheme and the financial strength of the Employer.

In order to provide the required level of benefits the Trustees are relying on the willingness and the ability of the Employer to financially support the Scheme in the future.

The need to provide the benefits at an acceptable cost to the Employer means that the Trustees are unable to guarantee that the Scheme will always have sufficient assets to meet its liabilities should the Scheme wind up at some point in the future.

By taking investment risk, the Trustees also recognise the possibility that the Scheme will have insufficient assets to cover the liabilities at the date of a triennial actuarial valuation. In these circumstances, the Trustees are relying on the Employer to pay sufficient contributions over a period of time to cover any deficits which are disclosed by a triennial actuarial valuation.

The Trustees recognise the different types of risks and seeks to minimise them as far as possible by regular monitoring of the performance of the Investment Managers, seeking advice from their advisers on the suitability of the assets with regard to the Scheme's liabilities, and ensuring that the Investment managers maintain a suitably diversified portfolio of investments.

Actuarial valuations of the Scheme will be undertaken every three years allowing the Trustees to measure the Scheme's funding level on a regular basis. This allows the Trustees to take appropriate steps to minimise the risk from under-funding by securing contributions from the Employer.

5. INVESTMENT STRATEGY

The Trustees have adopted an investment strategy which is intended to ensure that, as far as possible, the Scheme has sufficient assets to provide benefits as and when they fall due. This is based on an assumption that the Scheme is ongoing and does not wind up in the future.

The Trustees have determined, acting upon professional investment advice and taking into account of the liability profile and financial position of the scheme under normal circumstances, the following long term investment strategy.

Asset Class		Strategic Allocation		Acceptable Range
Equities		30%		20% - 40%
LDI, Fixed Interest and Cash		70%		60% - 80%
	LDI		*30%*	
	Short Dated Bonds		*25%*	
	Long Dated Gilts		*5%*	
	Cash		*10%*	
Total		**100%**		

The purpose of the equity holding is to provide the ability for equity outperformance over the long term and is structured to provide a diversified approach to capturing global capital market returns taking into account improved sustainability criteria.

The Trustees have agreed to implement a strategy to hedge the interest rate and inflation risks in the scheme via the use of Liability Driven Investment (LDI) using a pooled fund approach. The remaining fixed interest bond holdings are held in order to control risk.

In order to further reduce the risk of potential volatility in the equity and bond markets whilst putting this strategy in place, the Trustees have elected to transition to this new structure over a period of four quarters, at a rate of 25% of the scheme assets at a time. This is intended to ensure that average prices are obtained for assets bought rather than one-off values, and that the effects of fluctuating interest rate and inflation expectations on bond yields will be reduced.

The risks to the strategy are principally derived from potential underperformance of the equity assets, and excessive volatility in interest and inflation expectations once the LDI strategy has been put in place. These risks are managed through recourse to long term historical evidence of equity returns, and by ensuring that the LDI funds employed are kept to a prudent level of leverage and reviewed regularly. In particular, this is part of the justification for maintenance of a large cash balance above, to manage LDI fund requirements. Whilst there are no guarantees, the Trustees are comfortable that the strategy adopted is an appropriate synthesis of risk and return.

The strategy will be reviewed in conjunction with next actuarial valuation, due with an effective date of 31st July 2022 or more frequently should the objectives of the Scheme change.

6. INVESTMENT MANAGEMENT AND PERFORMANCE MEASUREMENT

The Trustees have decided to invest in a portfolio of pooled investment funds.

Dimensional Fund Advisors are the appointed managers in respect of the equity element of the portfolio

Dimensional Fund Advisors, Vanguard Asset Management and Insight Investment Management are the appointed managers in respect of the fixed interest and LDI element of the portfolio.

The Trustees have, at the recommendation of the advisers, opted to consolidate all of the equity funds in the scheme portfolio into a single, global equity fund. This is for the sake of simplicity, ease of scheme management, and to provide a level of exposure to world markets that always remains at global market weight. This fund – the Dimensional Global Sustainability Core Equity Fund – also seeks to address the obligation of the Trustees to consider Environmental, Social and Governance factors when investing, which is a point addressed further on in this document.

All managers have been recommended following research and due diligence by Russell Ulyatt Financial Services Ltd.

The Trustees have delegated all duties regarding the day-to-day investment management of the portfolios of securities underlying the units to the Fund Managers.

The Trustees monitor the Investment Manager's performance on a quarterly basis and compare the investment returns with the appropriate performance objective and benchmarks to ensure continuing acceptable performance.

Fund	Benchmark
Dimensional Global Short Dated Bond Acc	FTSE World Government Bond 1-5 Years Hedge GBP
Vanguard UK Long Duration Gilt Index Acc	Barclays UK Government 15+ Years Float Adjusted
Dimensional Global Sustainability Core Equity Acc	MSCI World Index

The Trustees receive regular written reports from the Managers in conjunction with Russell Ulyatt Financial Services Ltd.

Failure of the Managers to achieve acceptable results against performance benchmarks will result in action by the Trustees to review the appointment of the Managers.

The Trustees recognise that portfolio turnover and associated transaction costs are a necessary part of investment management and that the impact of portfolio turnover costs is reflected in performance figures provided by the Investment Managers.

The Trustees monitor the costs incurred by the Investment Managers in the buying, selling, lending or borrowing of investments. The Investment Managers incorporate portfolio turnover and resulting transaction costs as appropriate in their reports on the Scheme's investment mandates. Russell Ulyatt Financial Services Limited then reviews these figures, monitors the level of the costs and turnover and flags to the Trustees or challenges the Investment Managers when it deems these costs to be excessive.

The Trustees do not believe in setting a specific portfolio turnover target - being the frequency with which the assets are expected to be bought/sold - but would wish for this number to be as small as is reasonably possible. The intention is that portfolio turnover costs are as low as can reasonably be achieved whilst remaining true to the integral investment philosophy. Russell Ulyatt Financial Services Limited will monitor whether the level of portfolio turnover is within levels deemed to be reasonable on an ongoing basis, and will require the Investment Managers to disclose this as part of the assessment and monitoring process.

It is expected that the relationship with the underlying fund managers is to be one that is long term in nature. This is in line with the expectation of the Trustees for lower turnover, lower costs and evidence-based investing which avoids short term planning to the maximum extent possible.

The fund management costs are intentionally tightly controlled, and there is no direct or indirect relationship between the level of investment return received and the remuneration paid to the manager, except insofar as the manager's fee is made up of a daily percentage of the funds under management. In other words, the manager's fee structure is not directly affected by outperformance or underperformance, and will be based purely on the level of returns delivered by the underlying market in a strictly linear relationship.

7. Funding Level Targets and Liquidity Management

Following naturally from the section above, it is helpful to highlight specifically how some of the innovations in this Statement compared to the previous one are designed to improve the overall scheme position.

It is the long term intention of the Trustees to attempt to achieve a 100% hedge ratio of the scheme's Technical Provisions, based on interest rate and inflation liabilities. The pre-existing short dated bond holdings do not contribute significantly towards liability matching, and therefore the decision was taken to introduce LDI, in addition to retaining the long gilts already part of the scheme.

The Trustees are keenly aware that whilst LDI improves the total hedge ratio of the scheme, it is a leveraged investment. Not only have the advisers been mandated to keep this level of leverage to a prudent maximum, but additional funds from within the scheme have been allocated in order to further reduce this factor.

It is envisaged that for approximately every £3 of LDI funds in place, the scheme will maintain a further £1 in immediately available cash reserves. This is designed to reduce the effective rate of leverage on the LDI funds, and to provide cash at short notice for deleveraging events, should they occur. Whilst this cash will not accrue much if any interest in the current low rate environment, it provides additional comfort to the Trustees in terms of the total amount of 'borrowed money' involved.

Once the above asset allocation is fully implemented, the Trustees will review the extent to which further allocations to LDI (if any) are required in order to ensure that as close as realistically possible to a 100% hedge ratio is achieved and maintained.

7. ENVIRONMENTAL, SOCIAL & GOVERNANCE ("ESG") CONSIDERATIONS

The Trustees believe that their main duty, reflected in their investment objectives, is to protect the financial interests of the Scheme's members. The Trustees believe that ESG considerations (including but not limited to climate change) and stewardship in the selection, retention and realisation of their investments is an integral part of this duty and can contribute to the generation of good investment returns. Legislation requires that the Trustees form a view of the length of time that they consider is needed for the funding of future benefits by the investments of the Scheme. The Trustees believe that an appropriate time horizon for the Scheme could still be over 30 years, which gives enough scope for ESG considerations to be financially material.

The Trustees have elected to invest predominantly in pooled funds and it is difficult to, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which they invest (especially where assets are managed passively). However, the Trustees have elected to invest the equity element of the portfolio in a fund with sustainable screening criteria and will consider the manager policies in all future selections and will seek to deepen their understanding of their existing manager policies by reviewing these at least annually. The Trustees will also seek to understand what other options might be available from their managers and in the wider market. In cases where they are dissatisfied with a manager's approach they will take this into account when reviewing them. They are also keen that all their managers are signatories of the UN Principles of Responsible Investment.

The Trustees believe that stewardship is important, through the exercising of rights (including voting rights) attaching to investments. The Trustees are keen that their managers can explain when, and by what practical methods, the managers monitor and engage with relevant persons about relevant matters in this area. They will be liaising with their managers (including their passive managers) to obtain details of the voting behaviour (including the most significant votes cast on the Trustees' behalf). The Trustees are also keen that their managers are signatories of the UK Stewardship Code. This is currently the case with all their managers.

The Trustees are aware that ESG and stewardship considerations involve an ongoing process of education for themselves and engagement with their investment managers. To that end they dedicate time regularly to the discussion of this topic and intend to review and renew their approach periodically with the help of their investment consultants, where required. Consequently, the Trustees expect the Scheme's Investment Managers to have effective ESG policies (including the application of voting rights) in place, and look to discuss the investment managers' ESG policies with them when the managers attend Trustee meetings.

Non-financial matters, including members' views are not taken into account.

The Investment Managers have published substantial quantities of material outlining their thinking and their policy on ESG matters, but to include it here in full would be beyond the scope of this document. Helpful information on this point can however be viewed at the following addresses:

https://www.dimensional.com/gb-en/asset/77523/2021-responsible-investment-statement https://www.dimensional.com/gb-en/insights/2020-annual-uk-stewardship-code-report

https://global.vanguard.com/portal/site/institutional/uk/en/investments/responsible-investment-policy

8. REVIEW OF THIS STATEMENT

The Trustees will review this Statement in response to any material changes to any aspects of the Scheme, its liabilities and finances, and the attitude to risk of the Trustees and the Employer which they judge to have a bearing on the stated investment policy.

This review will occur no less frequently than every three years to coincide with the formal actuarial valuation. Any such review will again be based on written, expert financial and investment advice and will be in consultation with the Employer.

Agreed and signed on behalf on the Trustees on

Signed ______________ Chairman

Date 21/2/2022

Agreed and signed on behalf of PeoplePlus Group Ltd

Signed ______________

Date 11 March 2022