

Statement of Investment Principles (September 2020)

1. Background

This Statement of Investment Principles ('the statement') sets down the principles governing decisions about investments for The Henry Boot Staff Pension and Life Assurance Scheme ('the Scheme'). This statement has been prepared in accordance with the requirements of Section 35 and 36 of the Pensions Act 1995, as amended and The Occupational Pension Schemes (Investment) Regulations 2005. This statement also details the Trustee's compliance with the Myners Code of Best Practice.

In preparing this statement, the Trustee has consulted with Henry Boot PLC ('the Sponsoring Employer') and obtained and considered advice from Isio Group Limited on the appropriateness of this statement. Isio Group Limited is authorised and regulated by the Financial Conduct Authority for investment business activities.

In accordance with The Occupational Pension Schemes (Investment) Regulations 2005 the statement is reviewed:

- at least every three years; and
- without any delay after any significant change in investment policy.

2. Investment objectives

The investment objectives of the Scheme are to achieve an overall rate of return that will ensure:

- sufficient resources are available to meet beneficiaries' entitlements under the trust deed and rules;
- due regard is paid to the interests of the Sponsoring Employer on the size and incidence of contribution payments; and
- the volatility between the valuations of the Scheme's assets relative to the potential fluctuation in the Scheme's liabilities is managed.

The Trustee has adopted a dynamic investment strategy which is measured against the Scheme funding level rather than purely against investment indices. The policy takes into account current market levels and the expected future returns from each asset class when deciding on the strategic asset allocation of the Scheme.

3. The decision-making process

The Trustee has appointed Isio Group Limited to provide investment advice. The Trustee seeks advice on all investment issues and make investment decisions on the basis of the advice provided. Strategic decisions, including asset allocation and benchmark selection, and the selection of fund managers, are made by the Trustee after taking advice from Isio Group Limited and are not delegated to any third party.

All decisions about the day-to-day management of the assets have been delegated to the investment managers via a written agreement. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;

- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustee takes investment managers' policies into account when selecting and monitoring managers. The Trustee also takes into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise powers of investment delegated to them, with a view to following the principles contained within this statement, so far as is reasonably practicable.

More specific detail on the Trustee's approach to ESG factors (including climate change), non-financial matters (including member views) and stewardship are set out in paragraphs 8 to 12.

4. The balance between different types of investment

The Trustee utilises the following classes of investment in order to enable them to meet the investment objectives of the Scheme:

- Global Equities;
- Semi-Liquid Credit;
- Diversified Credit;
- Direct Lending;
- Collateralised Loan Obligations ("CLO");
- Opportunistic Credit;
- Liability Driven Investments ("LDI");
- Cash.

The Trustee has actively considered alternative asset classes when deciding upon the different types of investment that are suitable to meet the objectives of the Scheme. Direct Lending, Collateralised Loan Obligations, Semi-Liquid Credit and Opportunistic Credit are return generating assets which invest in contractual assets. Semi-Liquid Credit invests in a range of credit assets both liquid and illiquid such as high yield bonds, public and private loans and asset backed securities. The asset class is accessed through a pooled fund structure with the fund manager given the flexibility to allocate where they see the best risk adjusted returns. Opportunistic Credit aims to take advantage of illiquid credit opportunities with a focus on those assets which have been impacted by regulatory reform but with lower risks due to their more contractual nature. LDI is a form of investment that aims to manage interest rate and inflation risks faced by Schemes. The LDI portfolio aims to broadly hedge c.50% of the present value of the liabilities based on a technical provisions basis.

5. Investment Policy Implementation

The Trustee has appointed investment managers that are regulated by the Financial Conduct Authority, with whom day-to-day responsibility for the investment of the Scheme's assets rests. The Trustee has entered into a signed agreement with each investment manager which is consistent with this statement. The agreement sets out the terms on which the assets are to be managed; the investment mandates, guidelines and restrictions under which each investment manager works.

Details of each fund held, including benchmarks and performance targets are detailed in the table below.

Fund	Approximate allocation (%)	Approximate allocation of non-LDI assets (%)	Control Ranges of non-LDI assets (%)	Benchmark	Target outperformance
L&G Absolute Return Bonds	0.0	0.0		3 Month LIBOR	3 Month LIBOR + 1.25% p.a. over rolling 3 year period
L&G Fixed Short Duration Fund	1.9	0.0		Bespoke liability benchmark	Perform in-line with the benchmark
L&G Fixed Long Duration Fund	1.2	0.0		Bespoke liability benchmark	Perform in-line with the benchmark
L&G Real Short Duration Fund	9.6	0.0		Bespoke liability benchmark	Perform in-line with the benchmark
L&G Real Long Duration Fund	4.3	0.0		Bespoke liability benchmark	Perform in-line with the benchmark
PIMCO Diversified Income Fund	12.5	15.1	12.6 – 17.7	1/3 Barclays Capital Global Aggregate Credit Component, 1/3 Merrill Lynch Global High Yield BB-B Rated Constrained and 1/3 JPMorgan EMBI	Outperform by 0.75% to 1.25% p.a. over the long term

				Global; GBP Hedged	
PIMCO Diversified Income Duration Hedged Fund	0.0	0.0		1/3 Barclays Capital Global Aggregate Credit Component, 1/3 Merrill Lynch Global High Yield BB-B Rated Constrained and 1/3 JPMorgan EMBI Global; GBP Hedged	Outperform by 0.75% to 1.25% p.a. over the long term
PIMCO BRAVO Fund**	6.25*	7.5	6.0 – 9.0	N/A	Target return: 14-16% IRR (net of fees)
PIMCO Tactical Opportunities Offshore Fund	13.75	16.5	14.0 – 19.0		Target return: 10-12% p.a (net of fees) over a full market cycle

Apollo Total Return Fund	6.8	8.2	6.7 – 9.7	N/A	LIBOR + 5-7% p.a (net of fees) over a full market cycle
BNYM Long Term Global Equity Fund	14.0	16.9	14.4 – 19.4	Retail Price Index (RPI)	Outperform by 7% to 10% p.a. over the long term
Alcentra European Direct Lending Fund	0.5*	0.6	0.0 – 1.0	N/A	Target return: 10%-12% IRR (net of fees)
Alcentra European Direct Lending Fund II	4.0*	4.8	3.3 – 6.3	N/A	Target return: 8%-10% IRR (net of fees)
Partners Group Private Markets Credit Strategies 2016	3.5*	4.2	2.7 – 5.7	N/A	Target return: Libor+5-7% (net of fees)

Partners Group Private Markets Credit Strategies 2018	8.0*	9.6	8.1– 11.1	N/A	Target return: Libor+4-7% (net of fees)
Barings Capital Investment Grade CLO Fund	13.75	16.6	14.1 – 19.1	N/A	Target return: 3 month Libor +2.5% p.a. (net of fees) over a market cycle of 3 years

* Target allocation based upon drawdowns and distributions over the investment period.

**The Fund is priced in US Dollar (“USD”). PIMCO have arranged a currency hedging facility to be implemented as part of the investment. In order to carry out the currency hedging, the Scheme have appointed State Street as a custodian.

The Trustee uses the control ranges as a guide and take corrective action at their discretion. Rebalancing will be effected by cashflows where possible to avoid unnecessary transaction costs. The transfer of assets/cash between investment managers will be used to rebalance where cashflow is insufficient (where possible). The Scheme’s asset allocation to LDI will change over time due to market movements, but it is not appropriate to rebalance back to the initial allocation as doing so would change the hedge ratio. Therefore we have also shown the strategic asset allocation excluding LDI.

The Trustee believes that holding the above funds will meet the long term objectives of the Scheme set out in Section 2 and maintain sufficient diversification of the investment portfolio.

The Trustee will also hold cash from time to time to meet the future payments that are expected to be made to Scheme members. Cash may also be held pending investment in other asset classes.

6. Custodians

The table below shows the custodian for each element of the portfolio.

Manager	Custodian
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Walter Scott	Bank of New York Mellon (BNYM)
L&G	Citibank
PIMCO	State Street Bank and Trust Company
Alcentra	Sanne
Barings	State Street Bank and Trust Company
Apollo	JP Morgan
Partners Group PMCS 2016	RBC Investor Services Bank S.A.
Partners Group PMCS 2018	Alter Domus Depository Services S.à r.l.

7. Expected return on investments

The performance objectives of the Scheme's investments are set out in Section 5 and represent the long term expected return expectations of the investments; short-term returns in some asset classes may exhibit considerable variability. The Trustee has appointed "active" fund managers for the Scheme's allocation to a proportion of the Global Equity allocation, Diversified Credit, Direct Lending, CLO assets, Semi-Liquid Credit and Opportunistic Credit. Their objective is to outperform their respective asset class benchmarks.

The Trustee accepts that the investment strategy will not provide a perfect hedge against the Scheme's liabilities as there are many factors such as life expectancy that are difficult / expensive to hedge.

8. Risk

A non-exhaustive list of risks that the Trustee has considered and sought to manage is shown below. Financially material considerations and non financial matters are considered in paragraphs 9 and 10 below.

The Trustee adopts an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	Definition	Policy
Investment	The risk that the Scheme's position deteriorates due to the assets underperforming.	<ul style="list-style-type: none"> Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength. Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	<ul style="list-style-type: none"> Funding risk is considered as part of the investment strategy review and the actuarial valuation. The Trustee will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.

Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	<ul style="list-style-type: none"> When developing the Scheme's investment and funding objectives, the Trustee takes account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support.
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The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge c.50% of these risks.
Liquidity	Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment.	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values), and to provide collateral to the LDI manager.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Invest in GBP hedged funds with Alcentra, Apollo and the PIMCO Tactical Opportunities Fund Offshore Fund. The PIMCO BRAVO Fund has a USD share class however PIMCO will provide a currency hedging arrangement to help mitigate currency risk.

9. Financially Material Considerations

The Trustee considers that 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, and can have a material impact on investment risk and return outcomes, over a time horizon which is the length of time that members' retirement benefits require to be funded by the investments in the Scheme.

The Trustee also recognises that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

As noted in section 3 above, the Trustee has delegated day to day management of the Scheme's assets to investment managers. Consequently, the Trustee recognises that its ability to directly influence the actions of investee companies is limited.

The Trustee therefore expects the Scheme's investment managers to take ESG factors, including climate change, into account when exercising the rights attaching to the Scheme's investments, and in setting their policies in relation to 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 will review any reports which the investment managers produce concerning their approach to financially material considerations and discuss further with Isio Group Limited where appropriate.

10. Non Financial Matters (Including Members' Views)

The views of members and other beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life, are not taken into account in the selection, retention and realisation of investments within the Scheme. The Trustee will review its policy towards this as appropriate.

11. Voting and Engagement

The Trustee believes that good stewardship helps create and preserve value for companies and markets as a whole. The Trustee's policy in relation to the exercise of rights (including voting rights) attaching to investments should be exercised by each investment manager to whom the day to day responsibilities have been delegated. The Trustee believes that this will ultimately be in the best interests of the Scheme and undertaking engagement activities in respect of investments, is that the Trustee wishes to encourage best practice in terms of stewardship.

The Trustee recognises that, for the reasons outlined above, its ability to directly influence stewardship matters is limited.

The Trustee therefore expects its investment managers to discharge their responsibilities in respect of investee companies in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

12. Investment Manager Arrangements

The Trustee have the following policies in relation to the investment management arrangements for the Scheme:

Arrangement	Policy
How the investment managers are incentivised to align their investment strategy and decisions with the Trustee's policies.	<ul style="list-style-type: none"> <li data-bbox="651 1809 1326 2011">• For the investments in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustee's policies. However, the Trustee invest in a portfolio of pooled funds that are aligned to their strategic objective. <li data-bbox="651 2011 1326 2042">• The Trustee have a segregated arrangement

	<p>with PIMCO thereby allowing the investment managers to align their strategy with the Trustee's policies. This is reviewed on an ongoing basis.</p> <ul style="list-style-type: none"> • The investment managers are incentivised to meet the objectives agreed with the Trustee and provide a high quality service via the fees paid by the Trustee for the investment managers services.
How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.	<ul style="list-style-type: none"> • The Trustee review the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements. • The Trustee monitor the investment managers' engagement and voting activity on an annual basis as part of their ESG monitoring process. • Where the Trustee has concerns, it will raise them with the investment manager, where appropriate, or consider terminating the mandate.
How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustee's policies.	<ul style="list-style-type: none"> • The Trustee review the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. • The Trustee evaluate performance over the time period stated in the investment managers' performance objective, which is typically 3 to 5 years. • Investment manager fees are monitored quarterly to make sure the amount charged is in line with the agreed fees and they remain competitive. • Where appropriate, any investment manager which is considered to be performing poorly may be required to account for their performance, and exceptionally their mandate may be terminated.
The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.	<ul style="list-style-type: none"> • The Trustee do not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis.
The duration of the Scheme's arrangements with the investment managers	<ul style="list-style-type: none"> • The duration of the arrangements is considered in the context of the type of fund the Scheme invests in. <ul style="list-style-type: none"> ○ For closed ended funds or funds with a lock-in period the Trustee ensure the timeframe of the investment or lock-in is in line with the Trustee objectives and Scheme's liquidity requirements. • For open ended funds, the duration is flexible

	and the Trustees will from time-to-time consider the appropriateness of these investments and whether they should continue to be held.
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13. Monitoring

The Trustee considers how ESG, climate change and stewardship is integrated within the processes of its investment managers. Isio Group Limited will provide the Trustee with reporting on a regular basis, and at least annually, on ESG integration progress, stewardship, and monitoring. The Trustee will engage with Isio Group Limited to request additional information where necessary.

The Trustee is taking the following additional steps in relation to the monitoring and assessment of ESG related risks and opportunities:

- The Trustee will have periodic training on responsible investment to understand how the ESG factors, including climate change, could impact on the Scheme's assets and liabilities.
- Should the Trustee seek to appoint a new manager, it will appoint a manager who satisfies the following criteria (unless there is a good reason why the manager does not satisfy each criteria):
 - Responsible Investment (RI) Policy/ Framework
 - Implemented via Investment Process
 - A track record of using engagement and any voting rights to manage ESG factors
 - ESG specific reporting
 - UN PRI Signatory

14. Exercise of rights

The Trustee believes that the exercise of rights (including voting rights) attaching to investments should be exercised by each investment manager to whom the day to day responsibilities have been delegated. The Trustee believes that this will ultimately be in the best interests of the Scheme.

15. Realisation of investments

The majority of the Scheme's assets are invested in quoted markets and are as readily realisable as the Trustee feels appropriate given the cashflow position of the Scheme and the expected development of the Scheme's liabilities. The investment managers can be required to realise investments as soon as it becomes appropriate to do so.

16. Choosing investments in accordance with Section 36 of the Pensions Act 1995

The Trustee has delegated the day to day selection of investments to each investment manager. With regard to any investments made outside the responsibilities of each investment manager, the Trustee will take advice from a person believed to be appropriate in accordance with the provisions of Section 36(6) of the Pensions Act 1995 before making any such investment. In addition, where any such existing investment is held, advice will be sought from such an individual as to the intervals at which the continued holding of such an investment will be reviewed.

17. Employer related investments

The Trustee does not hold employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005. It is the policy of the Trustee to ensure that the value of the employer-related investments, if held, does not exceed 5% of the overall value of the Scheme's assets. Compliance with this policy is monitored on a quarterly basis.

18. Myners Code of Best Practice

The Trustee is aware of the recommendations from the Myners report with respect to greater transparency within their statement. The Trustee has considered these recommendations when formulating their investment policy and have included them within this statement to the extent they feel is appropriate.

19. Reporting and performance monitoring

Investment Managers

The investment managers have been appointed by the Trustee.

The investment managers will prepare reports to the Trustee as requested, including:

- Valuation of all investments held for the Scheme;
- Records of all transactions together with a cash reconciliation; and
- A review of recent actions undertaken on behalf of the Scheme together with a summary of their current stated policy.

The investment managers will notify the Trustee in advance of any new investment categories in which they are proposing to invest.

Investment consultant

Isio Group Limited will also provide the advice needed to allow the Trustee to review and update this statement as required and will also provide an independent assessment of the performance of the funds being held by Scheme.

The performance of the overall investment strategy is assessed against changes in the value of the liabilities of the Scheme and the performance of the individual funds managed by each investment manager is assessed against their specific market related benchmarks.

Trustee

The Trustee formally reviews the content of the statement following any significant change in investment policy or on not less than a triennial basis.

The Statement of Investment Principles is available to members on request.