Budenberg 1996 Pension Scheme

("the Scheme")

Statement of Investment Principles

1. Introduction

Purpose	This statement sets out the principles governing decisions about the investment of the assets of the Scheme and is issued by the Trustee in compliance with Section 35 of the Pensions Act 1995 ("the Act").
Advice	The Trustee has obtained advice on the content of this statement from Advisory Investment Services Ltd which has confirmed that it has the appropriate knowledge and experience to give the advice required by the Act.
Consultation	The Trustee consulted the Principal Employer, Budenberg Gauge Company Ltd, about the content of this statement, as required under the Act.
Investment Powers	The investment powers of the Trustee are set out in the Trust Deed governing the Scheme and this statement is consistent with those powers. Neither this statement nor the Trust Deed governing the Scheme restricts the Trustee' investment powers by requiring the consent of the Principal Employer.
Design	The Scheme is a Defined Benefit arrangement which is closed to new entrants and future accrual of benefits. The section below sets out the Trustee's policies on the choice of investment and attitude to risk.
Delegation to fund managers	Under the Pensions Act, the Trustee is required to appoint at least one fund manager. The appointed managers and the respective funds adopted are set out in the attached appendix. The investment managers are regulated under the Financial Services and Markets Act 2000 by the Financial Conduct Authority (FCA) and provide investment services in accordance with a written agreement with the Trustee.
Control of investments	The Trustee relies on the professional fund managers for the day to day management of by far the greater majority of the Scheme's assets. The custody of the assets is delegated to a professional custodian, the Bank of New York Mellon (International) Limited. The underlying assets are an Open Ended Investment Company and a unit linked life policy insured with BlackRock Life Limited. The Trustee retains control over some Scheme assets. In particular, the Trustee controls the Scheme's bank account.

2. Defined Benefit Scheme

a) Investment Objectives

In light of the Scheme entering the Assessment Period of the Pension Protection Fund (PPF) and following dialogue with the Pensions Regulator, the Pension Protection Fund and Scheme's Investment Consultant, the Trustee is taking steps to reduce the level of risk within the Scheme and to more closely align the investment strategy to that of the PPF. This is designed to provide the potential for modest growth whilst significantly reducing the likelihood of the funding position worsening.

b) Policy in relation to the choice on investments

AVCs

A small proportion of the Scheme's funds relates to members' AVCs. The Trustee' policy in respect of the relevant investments has and continues to be to leave the arrangements for these benefits unchanged, but to review these arrangements should it be felt necessary.

Except as otherwise stated this Statement of Investment Principles excludes any further consideration of members' entitlements under this heading.

Policy

Having considered advice, the Trustee will set the investment policy with regard to the Scheme's imminent transfer into PPF. The Trustee has prescribed a benchmark portfolio comprising a range of assets, including UK and overseas equities and a diversified growth fund, and bonds.

For the assets managed by the Scheme's fund manager the long-term investment policy has been set with reference to the appropriate indices.

The Trustee has chosen to invest the majority of the assets, bonds and equities in 'index' or 'tracker' type funds in order to minimise the relative risk versus the benchmark indices so far as possible. The Trustee will hedge some of the overseas currencies back into Sterling to mitigate the currency risks in the case of a proportion of the equity assets.

The only active fund is the Diversified Growth fund, which is a multi asset fund, investing in cash, currencies, bonds and equities. Most of the underlying assets are subject to passive mandates. The manager does not undertake any stock selection.

The funds adopted and the relative proportions are set out in the appendix. The allocation between the funds will be reviewed regularly and the investment consultant will make recommendations as and when necessary.

Performance objectives

The Trustee has set the performance objective in relation to the appropriate composite FTSE index for the government bonds and equities.

	The objective is for the passive funds to perform in line with the returns on the benchmark indices. The Diversified Growth Fund's prime goal is to maintain volatility of between 50% and 66% of a global equity benchmark, hedged and unhedged back into Pound Sterling. The secondary goal is to achieve a target return over and above LIBOR, over the market cycle.
Expected return	The Trustee expects the return on the investments held as passive funds to match quite closely the return on the appropriate benchmark index. The returns on the diversified growth fund is expected to meet the annual performance targets over any reasonable period.
Realisation of Investments	The Scheme's assets are invested in pooled vehicles, which in turn invest generally in securities traded on recognised exchanges. The Scheme's investments can generally be readily realised, if necessary

c) Policy in relation to diversification and risk controls

Diverse Investments	Investment risk is substantially reduced by diversification of investments both within particular asset classes, securities, and by economy. The chosen investment fund represents a suitably diverse investment policy.
Investment Management risk	The chosen equity and the government bond funds passively track the relevant indices. There is no active stock selection and the risks associated with a bad choice of investment manager are therefore removed. The diversified growth fund is actively managed. The market risks of all the underlying assets are reduced through diversification. All the underlying investments in the asset classes are subject to passive management mandates to reduce the costs and reduce the manager risks.
Liability mismatching risk	The Scheme's liabilities are linked to price inflation and nominal long term interest rates. The policy is therefore to invest a significant proportion of the assets in investments that are expected to provide a return in line with price inflation and nominal interest rates in the long term. There is an allocation of assets expected to provide a return ahead of price inflation.
Sponsor Risk	This is assessed as the ability and willingness of the sponsor to support the continuation of the Scheme and to make good any current or future deficit. This is managed by assessing the interaction between the Scheme and the sponsor's business, as measured by a number of factors including the creditworthiness of the sponsor and the size of the pension liability relative to the sponsor.

Liquidity Risk	This is monitored according to the level of cashflows required by the Scheme over a specified time period. The Trustee will assess the cash requirements to limit the impact of cashflow requirements on the Scheme's investment policy. The risk is managed by having a suitable amount of readily realisable investments and by holding a certain level of cash type assets. The Scheme invests in assets that are generally invested in quoted markets and are as readily realisable as the Trustee feels suitable given the Scheme's cashflow position and the expected development of the liabilities.
Market Risk	Most of the underlying financial assets in the pooled funds are transacted on a regulated market. Markets provide transparency, liquidity, efficiency and regulation to ensure investors achieve a fair price for their assets. There is a chance that investors lose confidence in one or more markets, and therefore the investor is not able to buy or sell an asset. When a market is no longer functioning the prices between the buying and selling prices tend to widen.
Currency Risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in non-sterling assets or via currency investment. Some currency hedging is used to manage this risk.
Loss of Investment Risk	There is a risk of loss of investment by each investment manager and potentially the custodian. This includes losses beyond those caused by market movements e.g. losses caused by fraud. The Trustee undertakes regular reviews of the internal controls and processes of the investment manager.
Environmental, Social and Governance (ESG) and Climate Change Risks	There is a risk that ESG issues and climate change are not considered as part of the investment process and so may expose the portfolio. This can lead to losses that may not have been factored into any assumptions. The Trustee has considered ESG issues as part of the investment process, but has made no explicit allowance for risks associated with climate change as they believe it is difficult to accurately quantify.

3. Compliance

Frequency of review	The Trustee will review this statement at least every three years and, in particular, if there is a change in the policy on any of the areas covered by the statement. The Trustee will consult with the Principal Employer and take written advice when revising the statement.
Professional advice	The Trustee employs Advisory Investment Services Ltd to assist in monitoring the fund manager and to help review the investment strategy.
Information from fund manager	The Trustee expects the fund manager to inform them immediately of any serious breach of internal operating procedures (insofar as they relate to the Scheme), or any material change in the knowledge and experience of those involved in managing the Scheme's investments.

	The Trustee also expects the fund manager to supply them with sufficient information each quarter to facilitate a review of their activities.
Performance measurement	The Trustee monitors the performance of the fund managers by reference to performance statistics provided within the appropriate indices, general trends in annuity prices and returns on other cash funds.
Review of fund manager	The Trustee will on a regular basis consider whether the fund manager has been exercising its powers of investment with a view to giving effect to the principles contained in this statement, so far as is reasonably practicable. If the fund manager is not able to satisfy the Trustee in this respect, the Trustee will review the manager's appointment.
Employer related investment	Neither the Trustee nor the fund manager may directly hold any employer related investments as defined by the Pensions Act.

4. Policy on Financially Material and Non-Financially Material Considerations and Stewardship

Financially Material Considerations

The Trustee has considered financially material factors such as environmental, social and governance ('ESG') issues as part of the investment process to determine the investment strategy over the length of time during which the benefits are provided by the Scheme to the members. The Trustee believes that financially material considerations (including climate change) are allowed for in the asset liability modelling that is carried out when setting the investment strategy.

To invest in the best financial interests of the beneficiaries, the Trustee has elected to invest through pooled funds. The Trustee acknowledges that it cannot directly influence the environmental, social and governance policies and practices of the companies in which the pooled funds invest. However, the fund managers and investment consultant are expected to take account of financially material considerations when carrying out their respective roles.

The Trustee accepts that the Scheme's assets are subject to the investment manager's own philosophy and processes to ESG issues. The Trustee will assess that this corresponds with its responsibilities to the beneficiaries of the Scheme with the help of its investment consultant.

An assessment of the ESG and responsible investment policies forms part of the manager selection process when appointing new managers and these policies are also reviewed regularly for existing managers with the help of the investment consultant. The Trustee will only invest with investment managers that are signatories for the United Nations Principles of Responsible Investment ('UN PRI') or other similarly recognised standard.

The Trustee will monitor financially material considerations through the following means:

- Obtain training where necessary on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments;
- Use ESG ratings information, to assess how the Scheme's investment managers take account of ESG issues; and
- Request that all of the Scheme's investment managers share information about their ESG policies, and details of how they integrate ESG into their investment processes, via its investment consultant.
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If the Trustee determines that financially material considerations have not been factored into the investment managers' process, it will take this into account on whether to select or retain an investment.

Non-Financially Material Considerations

The Trustee has not considered non-financially material matters in the selection, retention and realisation of investments.

Stewardship

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the investment manager on the Trustee's behalf, having regard to the best financial interests of the beneficiaries.

The investment manager should engage with companies to take account of ESG factors in the exercise of such rights as the Trustee believes this will be beneficial to the financial interests of members over the long term. The Trustee will review the investment managers' voting policies, with the help of its investment consultant, and decide if they are appropriate.

The Trustee also expect the fund manager to engage with investee companies on the capital structure and management of conflicts of interest. If the policies or level of engagement are not appropriate, the Trustee will engage with the investment manager, with the help of its investment consultant, to influence the investment managers' policy. If this fails, the Trustee will review the investments made with the investment manager.

The Trustee has taken into consideration the Financial Reporting Council's UK Stewardship Code and expect investment managers to adhere to this where appropriate for the investments they manage.

5. Investment Manager Arrangements

Investment Manager Arrange-ments

Incentives to align investment managers' investment strategies and decisions with the Trustee's policies

The Scheme invests in pooled funds. The Trustee acknowledges the Scheme's investment strategy and decisions cannot be tailored to the Trustee' policies. However, the Trustee sets its investment strategy and then selects managers that best suits its strategy taking into account the fees being charged, which acts as the fund managers' incentive.

The Trustee uses the fund objective/benchmark as a guide on whether the Scheme's investment strategy is being followed and monitors this regularly.

Incentives for the investment managers to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

The Trustee selects managers based on a variety of factors including investment philosophy, and process, which it believes should include assessing the long term financial and non-financial performance of the underlying company.

The Trustee also considers the managers' voting and ESG policies and how it engages with the investee company as it believes that these can factors can improve the medium to long-term performance of the investee companies.

The Trustee will monitor the fund managers' engagement and voting activity on an annual basis as it believes that this can improve long term performance. The Trustee expects its managers to make every effort to engage with investee companies but acknowledges that their influence may be more limited in some asset classes, such as bonds, as they do not have voting rights.

The Trustee acknowledges that in the short term, these policies may not improve the performance it achieves, but do expect by investing in those companies with better financial and non-financial performance over the long term that this will lead to better risk adjusted outcomes for the Scheme.

The Trustee believes the annual fee paid to the fund managers incentivises them to execute their investment policies consistently, as the longer the units are held the larger income to the investment manager.

If the Trustee feels that the fund managers are not assessing financial and non-financial performance or adequately engaging with the companies they are investing in, it will use these factors in deciding whether to retain or terminate a manager.

How the method (and time horizon) of the evaluation of the fund managers' performance and the remuneration for asset management services are in line with the Trustee's policies

The Trustee reviews the performance of each fund quarterly on a net of fees basis compared to its objective.

The Trustee assesses the performance periods of the individual funds over at least a 3-5 year period or over a market cycle, if appropriate, when looking to select or terminate a manager, unless there are reasons other than performance that need to be considered.

The fund managers' remuneration is a percentage of the assets held in each fund so the amount each manager receives is based upon the value of assets held with them. The remuneration paid out by the Scheme will depend upon the asset allocation. The charges are considered as part of the manager selection process. The charges are monitored regularly with the help of its investment consultant to ensure they are in line with the Trustee's policies for each fund. The Trustee believes that its and each fund manager's goals are aligned.

How the Trustee monitors portfolio turnover costs incurred by the fund managers, and how they define and monitor targeted portfolio turnover or turnover range

The Trustee monitors the portfolio turnover costs on an annual basis.

The Trustee defines target portfolio turnover as the average turnover of the portfolio expected in the type of strategy the manager has been appointed to manager. This is monitored on an annual basis.

The Trustee has delegated the responsibility of monitoring portfolio turnover costs and target portfolio turnover to its investment consultant.

The duration of the arrangement with the fund managers

The Trustee plans to hold each of its investments for the medium term but will keep this under review.

Changes in investment strategy or changes in the view of the fund manager can lead to the duration of the arrangement being shorter than expected.

For & on behalf of the Trustee

Date __23 September 2020________________

Appendix

Defined Benefit Section

Appointed Investment Manager: BlackRock Investment Management (UK) Limited

Fund Allocation

Fund	Central Benchmark %	Sector Benchmark Index
FTSE UK Tracker	7.5	FTSE All Share Index
Global Equity Trackers	7.5	FTSE World ex UK Index, unhedged FTSE World ex UK Index, GBP Hedged
Total Equities	**15.0**	
Index Linked Fund	25.0	FTSE Actuaries Over 5 year Index Linked Gilts
Fixed Interest Bonds	25.0	FTSE Actuaries Over 15 year Gilt Index
Total Bonds	**50.0**	
Diversified Growth Fund	**35.0**	50-66% of volatility of FTSE World Index, 50% hedged and 50% unhedged. LIBOR plus returns over the market cycle.
Total	**100.0**	