

Alanod Pension Fund

Statement of Investment Principles

- 1) This statement sets out the principles governing decisions about the investment of the assets of the ALANOD PENSION FUND ("the Fund"). The Trustees of the Fund ("the Trustees") have prepared this statement to comply with section 35 of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 (S. I. 2005/3378) ("the investment Regulations").
- 2) As the Fund has 100 or more members and is a wholly-insured scheme, this statement is required to cover:
 - a) the Trustees' policy for compliance with the requirements of section 36 of the Pensions Act 1995 (choosing investments) and
 - b) the reasons for the scheme being a wholly-insured scheme.
- 3) The Trustees' policy for compliance with the requirements of section 36 of the Pension Act 1995 (choosing investments) is as follows:
 - a) The Trustees have obtained and considered proper advice on the question of whether their investment in certain life and pension products with Aviva is satisfactory having regard to the requirements of the investment Regulations, so far as relating to the suitability of investments, and to the principles contained in this statement.
 - b) The Trustees have also determined at what intervals the circumstances, and in particular the nature of the investment, make it desirable to obtain such advice as is mentioned in (a) above and will obtain and consider such advice accordingly.
- 4) The reasons for the Fund being a wholly insured scheme with Aviva:
 - a) the financial strength of Aviva;
 - b) the security given by:
 - i) Aviva's regulation by the Financial Conduct Authority and;
 - ii) the Financial Services Compensation Scheme;
 - c) the professional management of Aviva's investment funds;
 - d) Aviva's pensions administration and investment expertise; and
 - e) value for money in investing in a packaged product with Aviva;
 - f) The significant value to the Fund of the Guaranteed Annuity Options relating to members who joined the Fund prior to 1 October 1997 (and the loss of these if the Fund were to be moved);

- g) The potential application of Market Value Adjustment if the Fund is moved to another investment vehicle;
- h) The potential loss of administration services if funds are moved from Aviva;

The reasons outlined above similarly apply to the Fund AVCs invested in a With Profits policy provided by Aviva - particularly the Guaranteed Annuity Rate Option benefits relevant members and would be lost if Funds are switched.

- 5) This Statement will be reviewed at least every three years and without delay after any significant change in investment policy.
- 6) Before preparing this statement, the Trustees have:
 - a) obtained the written advice of a person who is reasonably believed by the Trustees to be qualified by his ability and practical experience of financial matters and to have the appropriate knowledge and experience of the management of investments of occupational pension schemes and
 - b) consulted the employer in relation to the Fund.
- 7) In considering Financially Material Considerations, including Environmental, Social and Governance (ESG) aspects; the only way in which the Trustees could take direct control of such decision making is to surrender their investment within the Insurance Contract. As this would have significant implications to the financial security of member benefits owing to the loss of guarantees held within the Fund, including guaranteed annuity rates, the Trustees have decided to fully delegate ESG decisions and other Financially Material Considerations to the manager of the relevant funds. Likewise, the stewardship of investments, including the exercise of any attaching voting rights is fully delegated to the manager of the underlying funds. Non-financial matters, such as member views on ethical matters are not considered as part of the Trustees investment decision-making process as it would be impossible to take these into account within the current investment strategy.
- 8) The Fund is invested wholly in Aviva's Provident Mutual Sub-Fund. The Trustees consider the arrangements with Aviva to be aligned with the Fund's overall strategic objectives. Details of Aviva's mandate are set out in their guidelines, agreements and pooled fund documentation.

The amounts allocated to any individual category or security will be influenced by the Provident Mutual Sub-Fund's overall benchmark and objectives, varied through Aviva's tactical asset allocation preferences at any time, within any scope given to them through any asset allocation parameters or guidelines set by the pooled funds in which the Fund is invested.

Aviva will ensure that the Fund's assets are predominantly invested in regulated markets to maximise their security.

The Trustees encourage Aviva to make decisions in the long-term interests of the Fund. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights in line with the investment mandate guidelines provided.

This expectation is based on the belief that such engagement can be expected to help Aviva to mitigate risk and improve long term returns.

As covered in more detail in this document, the Trustees also require Aviva to take ESG factors and climate change risks into consideration within their decision-making as the Trustees believe these factors could have a material financial impact in the long-term.

- 9) The Trustees receive regular performance monitoring reports from their Advisers which consider performance on a year-by-year basis. However, as the Fund benefits from a largely guaranteed investment return (currently 3.25% p.a.), the Fund is insulated from the performance of the underlying assets within the Provident Mutual Sub-Fund.

- 10) The Trustees require the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.

- 11) Appointments are expected to be long-term, but the Trustees will review the appointment of Aviva in accordance with their responsibilities.

Signed on behalf of the Trustees of the Alanod Pension Fund:


P Llewellyn

30/09/2020
Dated