

Earls Court & Olympia Pension Scheme

Statement of Investment Principles

October 2021

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1. Introduction

- 1.1. This is the Statement of Investment Principles prepared by the Trustee of the Earls Court & Olympia Pension Scheme ('the Scheme'), Earls Court & Olympia Group Pension Trustee Limited ('the Trustee'). This Statement sets down the principles which govern the decisions about the investments that enable the Scheme to meet the requirements of:
 - the Pensions Act 1995, as amended by the Pensions Act 2004;
 - the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and the Occupational Pension Schemes (Charges and Governance) Regulations 2015;
 - The Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018; and
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
- 1.2. In preparing this statement the Trustee has consulted Olympia Management Services Limited, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustee's investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.
- 1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.
- 1.4. The Trustee will review this Statement at least every three years or if there is a significant change in any of the areas covered by the Statement.
- 1.5. The investment powers of the Trustee are set out in Clause K2 of the Definitive Trust Deed & Rules, dated 30 June 2000. This statement is consistent with those powers.

2. Choosing investments

- 2.1. The Trustee's policy is to set the overall investment target and then monitor the performance of their managers against that target. In doing so, the Trustee considers the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.
- 2.2. The Trustee has secured a bulk annuity policy with Pension Insurance Corporation plc (PIC). PIC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.
- 2.3. The Trustee reviews the appropriateness of the Scheme's investment strategy on an ongoing basis. The Trustee will also consult the Employer before amending the investment strategy.

3. Investment objectives

3.1. The Trustee's main investment objectives are:

- to ensure that they can meet the members' entitlements under the Trust Deed and Rules as they fall due;
- to reduce the risk of the assets failing to meet the liabilities over the long term.

3.2. The Trustee is aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities at any time. The Trustee has secured a bulk annuity which covers the benefits due to all members.

4. Kinds of investments to be held

4.1. The Scheme can invest in a wide range of asset classes including equities, bonds, cash, property, alternatives (including private equity, commodities, hedge funds, infrastructure, currency, high yield debt and derivatives) and annuity policies.

4.2. Any investment in derivative instruments is only made to contribute to a reduction in the overall level of risks in the portfolio or for the purposes of efficient portfolio management.

4.3. As the Scheme's investments consist entirely of the bulk annuity policy, there should be minimal (if any) employer-related investment content within the Scheme's portfolio.

5. The balance between different kinds of investments

5.1. The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within Appendix 1 to this Statement.

5.2. The Scheme holds a bulk annuity policy which will meet the benefit entitlements of each of the Scheme's members. The remainder of the Scheme's assets are held in cash in the Scheme's bank account.

5.3. The nature of the bulk annuity policy means that the insurer will accommodate any cashflow requirements in respect of benefit payments. Expenses will be met from the residual assets.

6. Risks

- 6.1. The Trustee has considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities:

Risk versus the liabilities	The risk of the assets behaving differently from the Scheme's liabilities has been mitigated by purchasing an annuity policy that exactly matches the benefit payments due.
Covenant risk	The creditworthiness of the Employer and the size of the pension liability relative to the Employer's earnings are monitored on a regular basis. The appropriate level of investment risk is considered with reference to the strength of the Employer covenant.
Asset allocation risk	The asset allocation is detailed in Appendix 1 to this Statement and is monitored on a regular basis by the Trustee.
Investment manager risk	The Scheme's main asset is the annuity policy and there is no exposure to investment manager risk in relation to this asset.
Concentration risk	In relation to the bulk annuity policy, it is at the insurer's discretion how the underlying assets are invested and the insurer bears the risk in relation to the assets' performance.
Liquidity risk	Responsibility for providing the monies to pay member benefits lies with the insurer as the provider of the bulk annuity policy, which mitigates the majority of the potential liquidity risk.
Loss of investment	The biggest risk is in relation to the bulk annuity policy. In the event of the insurer becoming insolvent, the Scheme could suffer losses (but would still retain the liability to pay members' benefits). This risk is mitigated by the regulatory regime and capital requirements in place for UK insurers. The Trustee has carried out due diligence on the insurer.

7. Expected return on investments

- 7.1. The Trustee has regard to the relative investment return, net of fees, and risk that each asset class is expected to provide. The Trustee is advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the investment managers.

8. Realisation of investments

- 8.1. The Scheme's only investment is an annuity policy which is not readily realisable, but is structured so as to pay benefits to members as they fall due.

9. Financially material considerations, non-financially material considerations, the exercise of voting rights and engagement activities

- 9.1. The Trustee believes that Environmental, Social and Governance ("ESG") factors are financially material – that is, they have the potential to impact the value of the Scheme's investments from time-to-time. As the Trustee has secured benefits with an insurance company, incorporating Environmental, Social and Governance (ESG) factors is at PIC's discretion.
- 9.2. The responsibility for the exercising of rights (including voting rights) attaching to the bulk annuity policy belongs to PIC.
- 9.3. The Trustee does not consider any non-financial matters when constructing the investment strategy and/or when selecting or reviewing fund managers.

10. Policy on arrangements with asset managers

- 10.1. The Trustee is required by legislation to have a policy covering various aspects of the Scheme's arrangement with the asset managers through which the Scheme invests. This is no longer applicable, as the Scheme does not invest with any asset managers.

11. Agreement

- 11.1. This statement was agreed by the Trustee, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the Employer, the investment managers, the actuary and the Scheme auditor upon request.

AGREED BY THE TRUSTEE ON 13 OCTOBER 2021

Appendix 1 Note on investment policy in relation to the current Statement of Investment Principles dated October 2021

1. The balance between different kinds of investment

The Scheme has a strategic asset allocation as set out in the table below.

Asset class	Strategic allocation
Pension Insurance Corporation annuity policies	100%

The Scheme will also hold cash in the bank account to cover fees and other expenses.

2. Choosing investments

The Trustee has secured insurance contracts in respect of the Scheme's liabilities with Pension Insurance Corporation plc ("PIC"). PIC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority.

The Trustee has appointed Barnett Waddingham LLP to advise on investment matters.

The Trustee has additional voluntary contributions ('AVCs') contracts with Utmost Life and Pensions Limited and Standard Life. The Scheme is no longer accepting AVCs since the Money Purchase section of the Scheme has been wound up, although members do still have the option to switch between the available funds. These arrangements are reviewed from time to time.

3. Fee agreements

There are no ongoing fees in respect of the Pension Insurance Corporation annuity policies.

Barnett Waddingham are remunerated on a fixed fee and time cost basis depending on the work carried out.

4. Kinds of investments to be held

The Trustee has considered all asset classes and has gained exposure to the following asset classes:

- Annuity policies; and,
- Cash

5. Realisation of investments

The annuity policies have been structured to provide sufficient income to meet all benefit payments as they fall due. Therefore, the Trustee does not foresee any need to surrender (i.e. realise) the value of its annuity policies. However, in such an event, the Trustee will take appropriate advice before making any decisions. The Trustee expects any fees and other expenses to be met using the existing bank reserves and, where relevant contributions by the Employer.