Institute of Directors (IoD) 1997 Pension Scheme

Statement of Investment Principles – September 2019

Introduction

The Trustees of the Institute of Directors (IoD) 1997 Pension Scheme (the "Scheme"), have drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Scheme (Investment) Regulations 2005.

The Statement is intended to confirm the investment principles that govern decisions about the Scheme's investments.

In preparing this Statement the Trustees have consulted with the Institute of Directors (the "Employer"). The Employer has confirmed its agreement to this Statement.

Scheme Characteristics and Governance

The Scheme is a money purchase (defined contribution) scheme. The Trustees recognise that, while it is their responsibility to select the investment manager for the Scheme, the benefits of good performance and the consequences of any underperformance are borne directly by the members. As such, the Trustees take account of the need to control risk on behalf of the members as well as to optimise investment returns in their management selection policy. The Trustees do not believe it is appropriate to invest directly in any assets of the sponsoring employer.

The Trustees make all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of investment managers. The process for making investment decisions is as follows:

- Identify appropriate investment objectives;
- Agree the level of risk consistent with meeting the objectives; and
- Implement an investment strategy and investment manager structure in line with the level of risk and objectives agreed.

When making such decisions, and when appropriate, the Trustees take proper advice. The Trustees' investment consultants, Capita Employee Solutions, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience to provide such advice.

Investment Objectives

The Trustees recognise that their ultimate objective is to help to ensure that the members of the Scheme are able to retire on a reasonable level of pension taking into account the contributions paid into their individual accounts and the timescale over which those contributions were invested.

The Trustees also recognise that individual members have different investment needs and that these may change during the course of their working lives. They also recognise that members have different attitudes to risk. Hence, the Trustees have in place investment options that they believe could achieve reasonable returns consistent with the level of risk chosen by the members.

The Trustees' key objectives for the Scheme's investment strategy are therefore to:

- Ensure the investment strategy is consistent with relevant legislation/regulations/Trust Deed and Rules, and best practice, and there is sufficient flexibility to react to legislative/regulatory changes;

- Ensure the investment strategy structure and design is based on the membership profile, where practical to do so;
- Offer members a reasonable range of investment options to satisfy their risk and return combinations, and to reflect the range of retirement options members now have following the introduction of Freedom and Choice In Pensions from April 2015;
- Be mindful of the costs borne by members as a result of investing in different asset classes and using different investment management styles;
- Use diversification between different types of assets to reduce investment risk where practical and cost effective to do so;
- Ensure the investment strategy is capable of being communicated relatively easily to members such that members can take informed decisions in the context of their personal financial circumstances; and
- Ensure the expected level of ongoing governance does not exceed the Trustees' agreed overall governance budget.

The Trustees will regularly monitor the investment strategy against these objectives and conduct an investment strategy review when necessary.

Investment Mandate

The Trustees have appointed Legal & General Investment Management ("LGIM") as the investment manager (the "Investment Manager") to administer and manage on their behalf the assets of the Scheme. The Investment Manager is regulated under the Financial Services and Markets Act 2000.

Investment Strategy

The Trustees will offer a sufficient fund range to satisfy the risk and return combinations that are reasonable for most members.

The Trustees have in place investment options that they believe can allow members to strike an appropriate balance between long-term needs for capital growth and shorter-term volatility of returns, especially in the period approaching retirement.

The Trustees believe that members of the Scheme will benefit from their funds being invested predominantly in UK equities for the longer term. However, the Trustees believe that asset classes more appropriate to shorter-term security, such as gilts and cash, should be made available. Further, the Trustees believe that the lower charges and dealing costs associated with the passive investment management, together with the greater certainty that returns will match those of an acceptable index, make index funds preferable to actively managed funds.

The Trustees consider that the Scheme's assets are not large enough to gain suitable diversification through investment on a segregated basis. Accordingly, the Trustees use pooled managed funds and the Trustees' contract with the Investment Manager is evidenced by a Policy of Assurance. Members have the choice of investing in the following funds (further details are in the Appendix);

(a) LGIM UK Equity Index Fund

(b) LGIM Over 15 Year Gilt Index Fund

(c) LGIM Cash Fund

Members may choose between these funds when they join the Scheme and can subsequently alter their decisions. Information about performance is given to the members annually as part of the Trustees Annual Report.

Risk Management and Measurement

The Trustees are aware of, and pay attention to, a range of risks inherent in investing the assets of the Scheme. The Trustees believe that the investment options offered to members provide adequate choice and diversification both within and across different asset classes.

- The Trustees recognise the risks that may arise from the lack of diversification of investments. Due to the size of the Scheme's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles (as noted above).
- The Trustees recognise that the use of active management involves a risk that the assets do not achieve the expected return and potentially increases the governance requirements. For these reasons, and to reduce costs for members, investments are index-tracking funds.
- While the Trustees recognise that the asset class of equities has historically provided the highest real return over the long term, the Trustees are also aware of the higher volatility associated with equity investment.
- In the context of a money purchase scheme, the Trustees believe that it is appropriate to provide members with the option to invest in gilts and cash in order that members may adopt a defensive investment strategy particularly in the years immediately prior to retirement.
- Members are therefore encouraged, as they approach retirement, to review the basis of their invested funds against the recognition that the price of annuity policies is most likely to vary in line with the value of units in the Gilt Fund and that any envisaged cash commutation is best matched by an investment in the Cash Fund.
- The Trustees are currently conducting an investment strategy review in order to understand how they could improve the Scheme's offering.

Expected returns and performance monitoring

Risk and return expectations will differ depending on the individual choice of members. The Trustees recognise that, when measured over shorter time periods, actual returns are likely to differ markedly from any expectation.

The performance objective of the LGIM UK Equity Fund is to achieve a return within 0.25% of the FTSE All-Share Index in two years out of three, while the LGIM Over 15 Year Gilt Fund aims to achieve a return within 0.25% of the FTSE Actuaries British Government (All Stocks) Index in two years out of three.

The performance of the Investment Manager is reviewed on a regular basis. The Trustees receive regular reports from the Investment Manager.

Custodian and realisation of assets

- The documents governing the Investment Manager's appointment include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme.
- The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled funds.

- All investments under the Scheme are held in the name of the Trustees and are, therefore, separate from the assets of the Employer.
- The Trustees own units in the relevant pooled funds and the assets underlying those units are held by the custodians acting for those pooled funds.
- The Trustees may also, in the short term, have cash in their bank account to ensure prompt payment of all benefits on due dates.
- The Trustees take advice from their pension consultants in relation to anticipated cash flow requirements.
- The Trustees will not invest in funds where there may be undue risks of enforced delays on realisations.

Financially material considerations over the Scheme's time horizon

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 recognise that this is a DC scheme with a variety of members with differing ages and risk profiles. An appropriate time horizon could be fairly long, which gives plenty of scope for ESG considerations to be financially material.

The Trustees have elected to invest in predominantly passive pooled funds with one manager. Size makes it difficult to directly influence their Investment Manager's ESG policy, 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 will consider investment managers' policies in all future selections and will deepen their understanding of their existing Investment Manager's policy by reviewing this at least annually. The Trustees will also seek to understand what other options might be available 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 any manager of theirs is a signatory of the UN Principles of Responsible Investment, which is currently the case.

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

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.

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

Compliance with Myners Principles

In October 2008 the Government published the results of its consultation on revisions to the Myners' principles in response to recommendations made by the National Association of Pension Funds (NAPF) in 2007. This takes the form of six higher-level principles, supported by best practice guidance and trustee tools that can be used to assess compliance.

The Trustees believe that the Scheme complies with the spirit of the Myners' Principles. There may be some instances of deviation from the published 'Best Practice Guidance' on the Principles where the Trustees believe this to be justified.

Employer-Related Investments

The Trustees' policy is not to hold any employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Plans (Investment) Regulations 2005.

Fee Structures

The Investment Manager is paid a management fee on the basis of assets under management. No additional performance fees are payable. The Investment Consultant is paid on a time-cost or fixed fee basis, as agreed between the Trustees and the Investment Consultant from time-to-time.

Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Jordan
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Trustee Signature

JIM JORDAN
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Trustee Name

Date 24/9/2019.

Signed on behalf of the Trustees of the Institute of Directors (IoD) 1997 Pension Scheme

Appendix – Investment Arrangements

Investment funds

Members have the choice of investing in the following funds

(a) LGIM UK Equity Index Fund

(b) LGIM Over 15 Year Gilt Index Fund

(c) LGIM Cash Fund

Members may choose between these funds when they join the Scheme and can subsequently alter their decisions.

The Trustees formally monitor these investment funds from time-to-time, and members may wish to carry out their own due diligence.

Fund	Fund Type	Benchmark	Objective	Charges
LGIM UK Equity Index	Equity	FTSE All-Share Index	This fund invests in a large number of UK company shares (or equities). The Fund is passively managed and aims to track the performance of the FTSE All-Share Index before fees.	0.100% pa
LGIM Over 15 Year Gilts Index	Bond	FTSE Actuaries British Government (All Stocks) Index	This fund invests mainly in index linked bonds issued by the Government. These types of investment should provide a reasonable match to the cost of purchasing a pension (annuity) at retirement which increases in payment in line with price inflation.	0.100% pa
LGIM Cash	Cash	7 Day LIBID	The fund aims to perform in line with 7 Day LIBID, without incurring excessive risk.	0.125% pa