

Twyford Bathrooms Pension Scheme – DC Section

Statement of Investment Principles

Introduction

The Trustee of the Twyford Bathrooms Pension Scheme (“the Scheme”) has drawn up this Statement of Investment Principles (“the Statement”) to comply with Regulation 2A of Occupational Pension Schemes (Investment) Regulations 2005 and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

The Scheme provides two types of benefit; one linked to Final Salary and the other of a Defined Contribution type. This statement covers only the Defined Contribution (DC) Section of the Scheme.

The investment responsibilities of the Trustee are governed by the Scheme’s Trust Deed and Rules (a copy of which is available for inspection on request) and relevant legislation.

Consultation

The Statement is intended to affirm the investment principles that govern decisions about the Scheme’s investments. In preparing this Statement the Trustee has consulted Geberit Service, the sponsoring company (“the Company”), to ascertain whether there are any material issues of which the Trustee should be aware in agreeing the Scheme’s investment arrangements.

Process for Choosing Investments

The process for choosing investments is as follows:

- Identify appropriate investment objectives
- Consider the risks faced by members of the DC section
- Identify a range of investment options for members suitable to cover the range of likely investment objectives and risk tolerances over a members working life

In considering the appropriate investments for the Scheme the Trustee has obtained advice from Broadstone Corporate Benefits Limited, whom the Trustee believes to be suitably qualified to provide such advice as the Investment Consultant.

Investment Objectives

The Trustee recognises that members have differing investment needs and that these may change during the course of members’ working lives. The Trustee also recognises that members have different attitudes to risk. The Trustee believes that members should make their own investment decisions based on their individual circumstances. It regards its duty as making available a range of investment options sufficient to enable members to tailor to their own needs, whilst not overcomplicating member choice and administration. The following encapsulates the Trustee’s investment objectives:

“To maximise the value of the member’s retirement benefits subject to appropriate levels of investment risk for each member and acceptable management and administration costs.”

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Risk Management and Measurement

The Trustee acknowledges that there are risks associated with any investment policy. The Trustee's policy is to review and manage these risks with their advisers in relation to:

- the performance of the appointed fund managers,
- the nature of the investments held, and
- the benefits available to members at retirement.

The Trustee's policy is to ensure that any risks relating to the members' benefits that stem directly from their investment policy are managed by investing in assets that are consistent with the principles of this statement and the wishes of the members.

The Trustee monitors the performance of the investments on a regular basis and as a minimum on a yearly basis. The Trustee acknowledges that passive funds will not materially outperform their benchmark, but consider the features of passive investment to be most appropriate and offer best value for money for the Scheme's members.

Should there be a material change in the Scheme's circumstances, the Trustee will review whether and to what extent the investment arrangements should be altered.

Investment Policy

Aims and Objectives

The Trustee's primary objective for the default arrangement is to offer an investment strategy to satisfy the requirements of the majority of members without introducing complexity of investment. A further objective is to ensure that the funds are provided by a reputable investment manager and that those funds provide good value for money for the members, with charges kept to an appropriate level.

Types of Investment

After previously taken advice, the Trustee appointed an Investment Manager, Legal & General Investment Management Limited ('Legal & General'), who are regulated by the Financial Conduct Authority. The Trustee is responsible for ensuring that the allocation of the portfolio between the different types of investment takes account of the Trustee's policy as set out in this statement by regularly monitoring the funds that the Scheme invests in.

The Investment Manager is given absolute discretion over the selection of individual stocks within each type of investment, which are all pooled fund investments. The Trustee considers that pooled investments are most appropriate for a scheme of this size in order to achieve consistency with the principles set out in this statement.

Within the categories of investment permitted by the Trustee, the fund managers can purchase any new investments, as long as they do not breach the provisions of the fund management agreement.

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Investment Strategy

All assets of the DC Section are invested with Legal and General. Members are invested in the 'default strategy' unless they have chosen their own 'self-select' funds, both of which are described below.

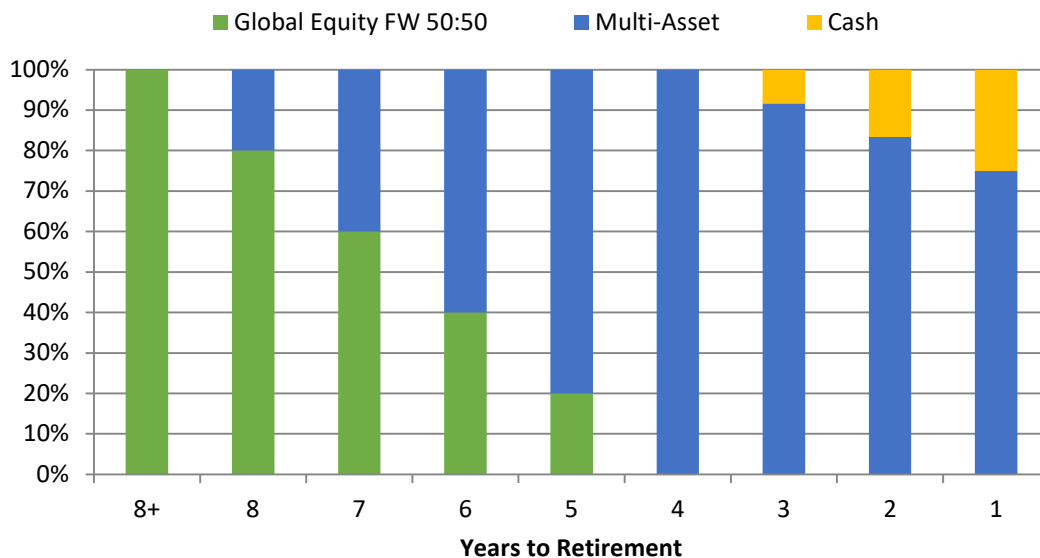
Default Strategy

The aim of the default strategy is to target members taking 25% cash at retirement with the remaining 75% being used to provide a flexible income in retirement.

The default investment fund before retirement is the Legal & General Global Equity 50:50 Fixed Weights Index Fund. This fund aims to produce a positive return in the long-term using equities but is subject to volatility in the short-term. It is made up of around 50% UK equity and 50% overseas equity assets.

Over the 8 years approaching retirement the default strategy switches 75% of a member's funds to the Legal & General Multi-Asset Fund, with 25% continuing to be switched into cash to match a tax-free cash lump sum. The Legal & General Multi-Asset Fund is designed to diversify risk by investing in a range of assets.

The diagram below shows the progression of a fund in the life-styling period for a member more than 8 years away from retirement:



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Self-Select Funds

Members are free to choose to invest in any combination of the self-select funds available via Legal & General. Some of these funds are shown below, split between “growth funds” which offer higher returns but higher risks and “defensive funds” which offer lower risks but also lower returns. The annual management charge for the default strategy is 0.3% per year. For self-select funds, the charges vary depending on the chosen fund.

GROWTH FUNDS				
Managed Fund	Global Equity 50:50	Distribution Fund	UK Equity Fund	Property Fund

DEFENSIVE FUNDS				
Corporate Bond Fund	All Stocks Gilts Index Fund	Over 15 Year Gilts Fund	Index Linked Gilts Fund	Over 5 Year Index Linked Gilts Fund

Day-to-Day Management of the Assets

The Trustee delegates the day to day management of the assets to Legal and General. The Trustee entered into a contract with Legal and General in 2012.

The Investment Manager will supply the Investment Consultant with sufficient information when requested in order to enable them to monitor financial and non-financial performance.

The appropriateness of the Investment Manager’s remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise a manager has had in meeting its objectives both financial and non-financial.

Realisation of Investments

The Trustee has delegated the responsibility for buying and selling investments to the Investment Manager subject to the provisions of the Trust Deed.

Environmental, Social and Governance (ESG)

The Trustee believes that the consideration of financially material Environmental (including climate change), Social and Governance (ESG) factors in investment decision making can lead to better risk adjusted investment returns. The Trustee expects their Investment Manager, when exercising discretion in investment decision making, to take financially material ESG factors into account. On an ongoing basis the Trustee (delegating to the investment consultant where appropriate) assess the ESG integration capability of its Investment Manager.

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Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustee believes these should not drive investment decisions. The Trustee expects their Investment Manager, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a material reduction in the efficiency of the investment. Members' views are not sought on non-financial matters (including ESG, quality of life considerations and ethical views) in relation to the selection, retention and realisation of investments.

The Trustee believes that in order to protect and enhance the value of the investments, over the time horizon over which the benefits are paid, it must act as a responsible asset owner. The Trustee cannot exercise its responsibilities directly as it does not hold investments in its name. The Trustee expects their Investment Manager to exercise voting rights at annual and extraordinary general meetings of companies. The Trustee has seen the policy objectives of the Investment Manager regarding voting and engagement and believes that they are compatible with its own policy. The Trustee expects the Investment Manager to report to it on the implementation of, and any changes to, their policies on voting and engagement.

The Trustee expects its Investment Manager, to exercise ownership rights attracted to investments, including voting and engagement rights, in order to safeguard sustainable returns over this time frame. On an ongoing basis the Trustee will assess the stewardship and engagement activity of its Investment Manager (delegating to the Investment Consultant where appropriate). This will be done by reviewing the Investment Manager's voting and engagement policy, summary reports detailing the engagement and voting activity undertaken by the investment manager, and asking questions directly to the Investment Manager.

Responsibility for monitoring the make-up and development of the capital structure of investee companies is delegated to the Investment Manager. The Trustees expect the extent to which the Investment Manager monitors capital structure to be appropriate to the nature of the mandate.

Conflicts of Interest

The Trustee maintains a separate conflicts of interest policy and register.

Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Manager, while also setting out a process for their management.

Additional Assets

Under the terms of the Trust Deed the Trustee is responsible for the investment of additional voluntary contributions ("AVCs") paid by members. The current provider is also Legal & General.

Fee Structures

Legal and General's fees are calculated as a percentage of the members' assets under management. The fees for each respective fund in which the member invests are available from Legal & General via their website or customer services.

Incentivisation of Investment Managers

The Trustee does not directly incentivise the Investment Manager to align the approach they adopt for a particular fund with the Trustee's policies and objectives.

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Neither does the Trustee directly incentivise the Investment Manager to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issues to improve their performance. The Trustee expects such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Scheme.

Portfolio Turnover Costs

The Trustee expects the Investment Manager to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions.

The Trustee therefore does not set a specific portfolio turnover target for their strategy or the underlying funds.

The Investment Manager, when requested by the Investment Consultant, shall provide information on portfolio turnover and associated costs so that this can be monitored, as appropriate.

Review of this Statement

The Trustee will review this statement at least once every three years or within one month of any formal change in investment strategy. The Trustee will consult with the Employer and take written advice when revising the statement.

The Investment Manager will inform the Trustee immediately of any breach of this statement, or of any breach of internal operating procedures, or any material change in the knowledge and experience of those involved in managing the Scheme's investments.

Kevin Kenneally
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Name (Print)

Kevin Kenneally
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Signature

28th September 2020
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Date

For and on behalf of the Trustee of the Twyford Bathrooms Pension Scheme