

**The British Drilling and Freezing Staff
Pension Scheme**

**Defined Contribution Default
Arrangement**

Statement of Investment Principles

July 2019

CONTENTS

Section	Page
1 Introduction	3
2 Division of Responsibilities	4
3 Objectives	5
4 Investment Arrangements	7
5 Investment Restrictions	8
6 Risk Management	9

1. INTRODUCTION

- 1.1 This document outlines the statement of investment principles (“the Statement”) that governs the investment policy of the trustees (“the Trustees”) in relation to the British Drilling and Freezing Staff Pension Scheme (“the Scheme”). Defined Contribution Default Arrangement only.
- 1.2 This document has been prepared in accordance with Section 35 of the Pensions Act 1995 as amended by The Occupational Pension Schemes (Investment) Regulations 2005.
- 1.3 In preparing this Statement the Trustees have taken appropriate written advice and have also consulted the sponsoring employer.
- 1.4 The Scheme provides defined contribution benefits and is exempt approved. There is no employer-related investment, and none is intended. The employer intends to remit all relevant contributions to the Trustees within the relevant timescales.
- 1.5 The Trustees will set general investment policy but will delegate responsibility for selection of specific investments to an appointed investment manager or managers, which may include an insurance company or companies. The Trustees will ensure that any person to whom such responsibility is delegated is authorised under the Financial Services and Markets Act 2000. A copy of this Statement will be provided to the investment manager appointed.
- 1.6 The Trustees will review this document every three years, or sooner if the Trustees consider a review is necessary for other reasons. A copy of this Statement is available for inspection by Scheme members.
- 1.7 The Trustees are aware of the recommendation from the Myners report with respect to greater transparency within their Statement. The Trustees have considered these recommendations when formulating their investment policy and have included them within this statement to the extent that they feel is appropriate. The Trustees intend to regularly review their compliance with the recommendations.

2. DIVISION OF RESPONSIBILITIES

2.1 The Trustees responsibilities include, but are not limited to the following tasks:

- Reviewing the content of this document and amending if necessary, in consultation with the employer and taking advice from appropriately qualified individuals.
- Reviewing the investment policy following each actuarial valuation.
- Appointment of investment managers.
- Assessing the quality of performance of investment managers.
- Ensuring the compliance of the investment arrangements with the principles outlined in this document.

2.2 The Investment Managers' responsibilities include:

- To use their discretion to invest the assets of the Scheme as they deem appropriate, but always within the guidelines contained in this document.
- Having regard to the need for diversification of investments, and to provide details to the Trustees of how they have achieved this.
- To provide the Trustees and Members with regular statements describing the investment performance of funds under their management, as well as comparable figures from benchmark indices.
- To provide a web based portal for Members to access and view information regarding their investment details and valuations.

2.3 The Scheme Administrator's responsibilities include:

- Advising the Trustees of the performance, adequacy and compliance of the fund Manager, Scottish Widows Ltd.
- Liaising with Scottish Widows Ltd with regard to core financial transactions, administration and member queries.

3. OBJECTIVES

3.1 The Trustees' default arrangement investment objectives are as follows:

- To provide a balanced default arrangement between equity and fixed interest securities.
- To provide an investment fund which achieves long term growth.
- To achieve moderate to low risk by investing in a multi manager funds (a pooled fund) and having diversification as a risk mitigation tool.
- To invest with a large quality provider.
- To provide flexible access.
- To comply with the Pension Regulator Value for Money Guide.
- To provide investments which are Liquid in as much as they can be easily traded and sold for cash when required.

Policy

3.2 The Trustees have delegated to their investment managers the discretion over the day to day management of their funds, including short-term asset allocation and stock selection.

Risk

3.3 The Trustees have chosen a default fund which invests in a wide spread of funds to mitigate risk.

3.4 The Trustees recognise that the returns on real assets are likely to be more volatile than from monetary assets. The Trustees will rely on the investment managers to produce a balanced diversified portfolio to reduce the stock-specific risk faced by the Scheme and meet the Trustees objectives.

3.5 The Trustees will also rely on the investment managers to ensure that any investment in bonds will be similarly diversified to reduce the bond-specific risk.

Suitability

3.6 The Trustees have taken advice with regard to the suitability of the Default Arrangement.

Liquidity

3.7 The investments are readily realisable.

Custody Risk (actions by the custodian)

3.8 Investment in pooled funds gives the Trustees a right to the cash value of the units rather than to the underlying assets. The managers of the pooled fund are responsible for the appointment and monitoring of the custodian of the fund's assets.

Socially Responsible Investments

3.9 The Trustees have delegated responsibility for the selection, retention and realisation of investments to their investment managers, and the impact of social, environmental or ethical considerations on these decisions is left to their discretion.

Delegation of Voting Rights

3.10 The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to the investments to the investment managers.

Scheme Funding – Not Required

Additional Voluntary Contributions (AVCs)

3.11 Some members may obtain further benefits by paying Additional Voluntary Contributions (AVCs) to the Scheme. The liabilities in respect of these AVCs are equal to the value of the investments bought by the contributions. From time to time the Trustees review the choice of investments available to members to ensure that they remain appropriate to the members' needs.

4. INVESTMENT ARRANGEMENTS

Investments

4.1 The assets will be invested with Scottish Widows Ltd who will manage the investments on a discretionary basis, investing in whichever stocks, funds, bonds, or other assets as they see fit, to comply with the aims of Scottish Widows Balanced Portfolio Pension (Series 2).

Expected return on investments

4.2 The Trustees expect a positive real return in the long term. The real return to be in the order of 3.0% in the medium term.

Manager Objectives

4.3 The Trustees' performance target is for the Manager to achieve returns (after fees) at least in line with the following fund bench mark, 30% FTSE World Eur Ex UK TR EUR, 50% BBg Barc Global Aggregate TR USD. 20% FTSE AllSh TR GBP.

4.4 The manager should achieve this objective in the majority of three-year periods, although it is not expected that the manager will necessarily achieve this target in every three-year period.

Manager Monitoring

4.5 The Trustees will assess the performance of the investment manager and review their appointments regularly. In addition, the fee structure for investment managers will be reviewed at least once every three years.

5. INVESTMENT RESTRICTIONS

5.1 No direct investment shall be made in any of the following:

- Securities issued by the sponsoring Employer.
- Property owned by or leased to the sponsoring Employer.
- Securities issued by associate companies of the investment manager.

5.2 The Trustees recognise that as the investment is through a pooled fund they may not be able to apply investment restrictions. However, for any direct investment or where feasible the following additional restrictions shall be observed by the investment manager:

- None of the Scheme's assets shall be invested in futures, options, currency forwards, interest rate swaps, hedge funds, or derivatives of any kind.
- None of the investments can be held in the securities of any Employer.
- None of the investments can be invested in assets that are not readily realisable.
- No more than 50% of the investments can be invested in overseas investments.
- There should be no gearing of the portfolio.
- The manager may not use the portfolio to underwrite new issues.

6. RISK MANAGEMENT

6.1 The Trustees recognise that there are a number of risks involved with investment of the assets of the Scheme.

- *Solvency risk and mismatching risk:* addressed through the choice of funds and through ongoing triennial actuarial valuations.
- *Manager risk:* addressed by the performance objectives set out in Section 4; and by the ongoing monitoring of manager performance.
- *Political risk:* the risk of political intervention having an adverse effect on asset performance is reduced by diversification of the assets across companies and restrictions on the amounts allowed to be invested in foreign countries.
- *Currency risk:* The risk of mismatching the currency of the assets to that of the liabilities is reduced by the choice of fund or restricting the amount of overseas investment.

6.2 The Trustees will continually monitor these risks.

This statement has been agreed by the Trustees

on.....23rd July 2019.....

Signed on behalf of the Trustees by

Name...Peter Wheelhouse..... Signature.....

Name...Howard Mew..... Signature.....