

Statement of Investment Principles – Janus Henderson Group UK Pension Scheme (July 2024)

11th Edition

Introduction

- 1 This document is the Statement of Investment Principles ('SIP') prepared by the Trustee of the Janus Henderson Group UK Pension Scheme (the 'Scheme') in accordance with the requirements of Section 35 of the Pensions Act 1995 as amended and The Occupational Pension Schemes (Investment) Regulations 2005. The Scheme is a Registered Pension Scheme for the purposes of the Finance Act 2004.
- 2 The Trustee will review this SIP at least every three years and without delay after any significant change in investment policy. Before finalising this SIP, the Trustee considered written advice from the Scheme's Investment Consultant (Towers Watson Limited) and consulted with the Sponsoring Employer. The ultimate power and responsibility for deciding investment policy, however, lies solely with the Trustee.
- 3 This document has been drafted in the light of the Pensions Regulator's General Code of Practice and the DWP's minimum governance standards applicable to the Money Purchase Section, and specifically the recommendations relating to the content of Statements of Investment Principles generally.

Investment managers

- 4 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to an appointed investment manager or managers. The investment manager(s) shall provide the skill and expertise necessary to manage the investments of the Scheme competently.
- 5 The Trustee is not involved in the investment managers' day-to-day method of operation and does not directly seek to influence attainment of their performance targets. Some individual Trustee Directors are employed by Janus Henderson Investors and as part of this separate role may have influence over the funds which are used by the Scheme. The Trustee Board has a duty to act in the best interests of members and any conflict of interest is declared and managed to ensure the Trustee Board can effectively meet this duty. The Trustee will maintain processes to ensure that performance is assessed on a regular basis against a measurable objective for each manager, consistent with the achievement of the Scheme's long-term objectives, and an acceptable level of risk.
- 6 The Trustee recognises an investment's financial success is influenced by a wide range of factors including environmental social and governance (ESG) issues (including climate change) and stewardship. The Trustee's policy is that the extent to which social, environmental or ethical considerations are taken into account in these decisions are left to the discretion of its investment managers. However, the Trustee expects that the extent to which social,

environmental or ethical issues may have a fundamental impact on the portfolio will be taken into account by the investment managers in the exercise of their delegated duties.

- 7 The Trustee recognises that active ownership (including the exercise of voting rights and engagement) can protect and enhance the value of investments. The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights), with respect to relevant matters, attaching to investments to the investment managers and to encourage the managers to exercise those rights.
- 8 The Trustees recognises the UK Stewardship Code as best practice and encourages its investment managers to comply with the code or explain where they do not adhere to this policy.
- 9 At present, the Trustee does not explicitly take account of non-financial matters in scheme design or strategy but may consider reflecting specific non-financial considerations in future.
- 10 The Trustee uses different investment managers and mandates to implement its investment policies. The Trustee ensures that, in aggregate, the investment options are consistent with the policies set out in this SIP, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee will also ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with its policies, where relevant to the mandate in question. These considerations also apply in the appointment process of new investment managers and arrangements.
- 11 To maintain alignment, investment managers are provided with the most recent version of this SIP on a periodic basis to ensure managers are aware of the Trustee's expectations regarding how the Scheme's assets are being managed.
- 12 Should the Trustee's monitoring process indicate that an investment manager's fund is not aligned with the Trustee's policies, the Trustee will engage with the investment manager to understand the reasons for this and discuss possibilities for closer alignment. This monitoring process includes, but is not limited to, consideration of the sustainable investment/ESG characteristics and policies of the fund. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the Trustee may consider alternative options available, including the potential replacement of the investment manager.
- 13 For most of the Scheme's investment funds, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustee may select certain investment funds where such engagement is not proportionate, due to the nature of the strategy and/or the investment time horizon underlying decision making.
- 14 The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing an investment manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate an investment manager's appointment based purely on short term performance. However, an investment manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.
- 15 When considering its policy in relation to stewardship including engagement and voting, the Trustee expects investment managers to address broad ESG considerations taking into account the nature of the assets held under the relevant investment mandate.

- Given the nature of assets held within the DB section, the Trustee has limited scope for engagement.
 - Following engagement with DC members there has been no consensus of the relative importance of various ESG factors. In the absence of member views, the Trustee has agreed not to prioritise any particular area but to discuss ESG topics with the Scheme's investment managers to ensure they are comfortable with the managers' approaches in line with the Trustee's fiduciary duties and the financial security of its members.
- 16 Investment managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement.
- 17 The Trustee reviews the costs incurred in managing the Scheme's assets regularly, which includes the costs associated with portfolio turnover, through regular engagement with investment managers on this subject and the receipt of cost and charges reporting. There is no broad targeted portfolio turnover which the Trustee adheres to. The Trustee, with the help of the Investment Consultant, will monitor that the level of portfolio turnover remains appropriate in the context of the investment managers' strategy and the Scheme's investment strategy.

A. Final Salary Section

Scheme objectives

- 18 The Scheme operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries ("Members").
- 19 The investment objectives of the Final Salary Section are to achieve an overall rate of return designed to ensure:
- sufficient resources are available to meet all liabilities as they fall due
 - volatility in the Scheme's funding level is reduced as far as possible.

In seeking to achieve this objective, the Trustee is mindful of the need to:

- take account of current market conditions when positioning the portfolio at any time
 - limit the risk of the assets failing to meet the liabilities over the long term.
- 20 The Trustee will review this objective regularly and amend as appropriate.

Investment strategy

- 21 The Trustee has received advice to determine an appropriate investment strategy for the Scheme. The Trustee of the Scheme takes investment decisions as a complete body and has rejected the concept of a formal investment sub-committee, although sub-committees may be formed from time to time to examine specific issues.

- 22 The investment strategy makes use of a range of instruments that provide a better match to changes in liability values, which include gilts, derivatives, and annuities. The Scheme has fully de-risked from return-seeking assets and holds liability matching assets only.
- 23 The Trustees may introduce an allocation to other asset classes should they deem it appropriate to support the goal of meeting liabilities when they fall due.
- 24 The Scheme will hold assets in cash and other money market instruments from time to time as may be deemed appropriate.
- 25 The Trustee will monitor the liability profile of the Scheme and will regularly review, in conjunction with the Investment Consultant and the Scheme Actuary, the appropriateness of its investment strategy.
- 26 The expected return of an investment will be monitored regularly and will be directly related to the Scheme's investment objective.
- 27 The Trustee's policy is that there will be sufficient investments in liquid or readily realisable assets to meet cashflow requirements in foreseeable circumstances so that the realisation of assets will not disrupt the Scheme's overall investments, where possible. The Trustee, together with the Scheme's administrators, will hold sufficient cash to meet benefit and other payment obligations.
- 28 The Scheme's assets consist predominantly of investments admitted to trading on regulated markets and investments not traded on such markets are kept to a prudent level.
- 29 The Scheme does not borrow money or act as a guarantor for the purpose of providing liquidity (unless it is temporary).

Other matters

- 30 The Scheme's additional voluntary contribution (AVC) arrangement provides for benefits to be accrued on a money purchase basis, with the value of members' funds being determined by the value of accumulated contributions adjusted for investment returns net of charges. In selecting appropriate investments, the Trustee is aware of the need to provide a range of investment options, which broadly satisfy the risk profiles of all members, given that members' benefits will be directly determined by the value of the underlying investments. The investment options available to AVC members are the same as those set out under the Money Purchase Section of the Scheme. In addition, a small number of AVC members hold investments with Utmost and Scottish Widows. These legacy providers are no longer open for members to contribute to or switch into. Towers Watson Limited provides assistance to the Trustee with regards to the monitoring of these legacy AVC policies.
- 31 The Trustee recognises a number of risks involved in the investment of the Scheme's assets:
- Deficit risk:
- is measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative investment policies.
 - is managed through assessing the progress of the actual growth of the liabilities relative to the selected investment policy.

Manager risk:

- is measured by the expected deviation of the return relative to the benchmark set and managed through regular monitoring the actual deviation of returns relative to the benchmark and factors supporting the managers' investment process.

Liquidity risk:

- is measured by the level of cashflow required by the Scheme over a specified period.
- is managed by the Scheme's administrators assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy and through holding assets of appropriate liquidity.

Currency risk:

- the Scheme's final salary section has no exposure to non-UK assets.

Interest rate and inflation risk:

- is measured by comparing the likely movement in the Scheme's liabilities and assets due to movements in inflation and interest rates.
- is managed by holding a portfolio of matching assets (physical bonds and/or derivatives) that enable the Scheme's assets to better-match movements in the value of the liabilities due to inflation and interest rates.

Political risk:

- is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.
- is managed by regular reviews of the actual investments and through the level of diversification.

Sponsor risk:

- is measured by conducting periodic independent covenant assessments and receiving regular financial updates from the Employer

Derivatives risk

- Counterparty and operational risk – this risk is mitigated through collateral management, diversifying exposure across counterparties, and the use of robust ISDA, GMRA or other relevant derivatives documentation. This is managed by the Scheme's liability hedging manager.
- Liability risk – pension liabilities can only be estimated and there is a risk of divergence between the performance of the derivatives and the actual value of the liabilities (for example, due to changes in assumptions or demographics). This risk is mitigated by updating the liability hedging benchmark at appropriate regular intervals.

Buy-in insurer risk

- This is the risk that the buy-in insurer fail to pay the benefits secured under the buy-in contract. This is addressed by having selected a regulated insurer, reliance on the insurance regulatory regime and with appropriate termination rights which have been agreed with the insurers and written into the contracts.

B. Money Purchase Section

Scheme objectives

- 32 The objective of the Money Purchase Section is to provide investment options to allow members to choose those investments which approximate to their anticipated risk preferences at different times in their lives in order to maximise their income in retirement. A secondary objective is to allow members the freedom to vary the levels of risk they are prepared to accept. In seeking to achieve these objectives the Trustee is mindful of the administrative burden of offering multiple options and has therefore limited the number of investment options.

Overall investment strategy

- 33 The Trustee's policy is to seek to achieve its investment objectives through offering a suitable mixture of asset classes and funds. After due consideration, the Trustee has chosen pooled funds as the appropriate vehicle for the investment of the Scheme's members' assets, and for the following reasons:
- To achieve greater diversification and access to markets compared to investing directly into these markets;
 - Transparency to members of the values of their savings;
 - Simplification of administration.
- 34 Predominantly passively managed funds have been chosen for the Money Purchase Section, as the associated reduction in manager risk is felt to be appropriate to members' risk objectives. This is reviewed for appropriateness by the Trustee periodically.
- 35 The Scheme also offers a range of lifestyle strategies. The aim of the lifestyle strategies is to provide members with the potential for long-term growth for the majority of their working life before gradually reducing investment risk as members approach their target retirement age.
- 36 The Trustee may decide to allocate a proportion of the default strategy to illiquid assets should they deem this to be in the best interests of the Scheme's members. The default strategy does not currently include an allocation to illiquid assets.

Default investment strategy

- 37 The objective of the default investment strategy is to optimise the potential for growth and secure the expected or planned income for retiring members, whilst managing the different risks that apply at the various stages of a members' working life.
- 38 The Scheme's default investment option for members who don't make an active investment choice is the Flexible Lifestyle option. The Flexible Lifestyle initially invests 50% in an equity fund and 50% in a diversified growth fund before gradually moving investments to funds that are expected to have lower volatility as members approach retirement. The Scheme provides alternative lifestyles for those members wishing to target a specific retirement outcome.

- 39 When designing and reviewing the investment strategy for the default investment option, the Trustee will have regard to the sustainable investment principles outlined earlier in this Statement.

Expected risk and return

- 40 The investment options include the following assets and have the following risk and expected return characteristics:
- **Equities** – expected to produce returns in excess of rates of salary and price inflation in the medium to long term. Capital values may be highly volatile in the short term.
 - **Diversified assets** – expected to produce returns in excess of rates of salary and price inflation in the medium to long term. Capital values may be volatile in the short term although this is expected to be less than for equities.
 - **Property shares** – aims to provide good growth via diversified exposure to global developed property shares and global listed infrastructure markets. Capital values may be volatile in the short term.
 - **Bonds** – capital values are likely to be less volatile than equities but tend to produce lower returns in the medium to long term. The value of some bonds is expected to move broadly in line with the price of annuities, providing some protection to the ‘purchasing power’ of a member’s account near to retirement when used to provide a pension income (annuity).
 - **Cash** – low risk to capital and asset values are easily realisable with limited investment returns associated with the low risk nature of the assets.

Other matters

- 41 The Trustee recognises a number of risks involved in the investment of the Scheme’s assets:
- Defined contribution schemes place the investment risk with the individual scheme member. The Trustee has put in place a choice of lifestyle investment options, in the belief that this offers the most appropriate balance between risk and reward throughout an individual’s membership of the Scheme. For those nearer to retirement, they offer protection against volatility in retirement outcomes in exchange for potentially lower asset growth.
 - Within a particular lifestyle investment option, a transition between asset types has been determined to strike an appropriate asset balance depending on the age of the member.
 - In addition to the lifestyle options, members are free to make their own choice of funds (known as a “self-select” option) from a range selected by the Trustee, so as to provide a different spread of investment opportunities more specific to individual needs.

Manager risk:

- is measured by the expected deviation of the return relative to the benchmark set and by monitoring the actual deviation of returns relative to the benchmark and factors supporting the managers’ investment process.

- is managed through ongoing monitoring of the actual deviation of returns relative to the benchmark and factors supporting the managers' investment process.

Currency risk:

- is measured by the level of exposure to non-Sterling denominated assets.
- is managed through providing members with a range of options that invest in Sterling and non-sterling assets.

Inflation risk:

- is the risk that the real value of contributions will erode over time and help lead to an inadequate amount of benefit at retirement. This could be failing to achieve an adequate amount of return in excess of price inflation commensurate with the term of investment.
- is managed by the provision of equity or diversified assets for the purpose of managing this risk.

Political risk:

- is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.
- is managed by regular reviews of the Scheme's investments and through the level of diversification provided through the investment options available

Retirement mismatch risk

- the risk that members' investment allocation in the years prior to retirement and/or once benefits are being accessed does not match their retirement objectives, exposing members to inefficient or uncertain outcomes.
- this is managed through the lifestyle options provided and the range of individual funds that allow members to design their own portfolios at retirement to match against their own risks

Pension conversion risk:

- is the risk that the value of a member's account when approaching retirement does not reflect the change in the cost of purchasing an annuity at retirement
- is managed by the provision of fixed interest gilt and corporate bond funds as strategies that target annuity purchase at retirement. An annuity targeting lifestyle is also offered that looks to match a member's investments at selected retirement age to changes in annuity pricing.

Capital risk

- is the risk that the member will lose part or all of their investment.
- is managed by ensuring the investment options are appropriately diversified and members are able to construct a balanced and diverse portfolio using a number of different asset classes

- 42 The Trustee seeks to offer only investment options that can be readily realised which allows members to access funds quickly and easily. The investments are daily dealt, and this aims to provide benefits on retirement or transfer to another pension arrangement without delay.
- 43 Members are free to choose how they wish to realise their benefits at retirement. The Scheme rules provide for members to secure their pension at retirement by the purchase of an annuity. Members can also choose to take their pension as a full lump sum. Should members wish to secure retirement income in a different form, they can transfer their benefits to another pension arrangement.

Signed: M Clare

Name: Mike Clare

Date: 30/07/2024

Authorised for and on behalf of the Trustee of the Scheme

Appendix A

Investment Strategy – Final Salary Section

Matching Portfolio

The Scheme invests in a segregated liability driven investment (LDI) portfolio which aims to move in line with the Scheme's liabilities due to changes in interest rates and inflation.

The Scheme also holds a bulk annuity in the form of a buy-in asset, the cashflows from which will match a section of the Scheme's liabilities.

Appendix B

Investment Strategy – Money Purchase Section

The Scheme offers members three lifestyle options, and also a range of funds available through the freestyle options. The default investment option for the Scheme is the Flexible Lifestyle option.

Lifestyle investment option

The three Lifestyle options all invest in exactly the same way until members are 10 years from their target retirement age. In the 10 years leading up to target retirement age, each option then follows a different de-risking strategy, depending on how the member expects to use their savings to provide their retirement income. The options are:

Flexible Lifestyle	For members who have not yet decided how they expect to use their pension account on retirement or might choose a combination of annuity and drawdown
Annuity Lifestyle	For members who expect to buy an annuity when they retire
Drawdown Lifestyle	For members who expect to keep their money invested after retirement and draw income from it as and when they need it.

Other attributes of the lifestyle options include:

- The default target retirement age will be 60 which is the point the lifestyle will de-risk towards unless they choose a different age.
- When more than 20 years away from target retirement age the aim is to provide long-term growth by investing 50% in equities and 50% in a diversified growth fund
- From 20 years before target retirement age, investments gradually switch from equities to the diversified growth fund such that at 10 years from target retirement age the member is 100% invested in the diversified growth fund
- During the 10 years leading up to target retirement age, the members account will gradually move into investments that are expected to have lower investment risk and better reflect how they intend to use their savings, to help protect the value of their account as they get closer to retirement
- Lifestyle switching will be undertaken quarterly.

Freestyle investment option

Fund Name	Invests in	Benchmark Index / Target
Janus Henderson Diversified Growth Fund	A wide range of different asset classes, including equities, property, commodities, bonds, hedge funds and cash	SONIA +4%
Janus Henderson Global Sustainable Equity Fund	Global companies whose products and services are considered by the Investment Manager as contributing to positive environmental or social change and have an impact on the development of a sustainable global economy	MSCI World Index
Janus Henderson Institutional Global 50/50 Index Opportunities Fund	50% UK & 50% overseas shares	Composite of 50% UK and 50% overseas indices
Legal & General AAA-AA-A Corporate Bond - All Stocks - Index Fund	Corporate fixed interest securities denominated in sterling	Markit iBoxx Sterling Non-Gilts (ex-BBB) Index
Legal & General All World Equity Index Fund	Shares in line with global market capitalisation	FTSE All World Index
Legal & General Global Equity (70:30) Index Fund	70% UK & 30% overseas shares	Composite of 70% UK and 30% overseas indices
Legal & General Global Real Estate Equity Index Fund	Listed real estate companies and real estate investment trusts (REITs)	FTSE EPRA/NAREIT Developed Real Estate Index
Legal & General Sterling Liquidity Fund	A diversified portfolio of high credit quality short term fixed income and variable rate securities	SONIA
Legal & General World Emerging Markets Equity Index Fund	Shares in a range of developing economies and markets	FTSE Emerging Markets