

1. Introduction

This Investment Policy Implementation Document (“IPID”) for the Hermes Group Pension Scheme (the “Scheme”) sets out details of the Scheme’s investment arrangements, based on the principles set out in its Statement of Investment Principles (“SIP”) dated May 2020.

The IPID should be read in conjunction with the SIP. The IPID has been prepared by Hermes Pension Trustees Limited (the “Trustee”), and the Trustee is responsible for ensuring it reflects the current investment arrangements.

2. Investment strategy

The Scheme’s investment strategy, as described in the SIP, along with the investment managers appointed to implement the strategy are set out below.

Asset Class	Strategic Allocation	Manager
Global Equity (index matching)	10%	Legal & General Investment Management (“LGIM”)
Property	7.5%	Standard Life Investments Limited (“Standard Life”)
Diversified Credit ¹	15%	Aegon Asset Management (“Aegon”) Barings Investment Funds PLC (“Barings”) M&G Investment Management Limited (“M&G”)
Buy & Maintain Corporate Bonds	17.5%	Legal & General Investment Management (“LGIM”)
Liability hedging (including Cash)	50%	Legal & General Investment Management (“LGIM”)
Total	100%	

Details of the investment managers, their objectives, investment guidelines and fees are set out in the following sections.

3. Global Equity (Index Matching) – 10% of Total Assets

The Scheme invests in a global equity portfolio managed by Legal & General Investment Management (“LGIM”). The portfolio is implemented via four pooled fund investments.

¹ The Diversified Credit allocation incorporates investments in Private Credit and Asset Backed Securities.

LGIM manages the equity portfolio in line with the table below. As shown in the table, the Trustee uses both currency hedged and unhedged funds in order to hedge 75% of developed market currency exposure.

Allocation (%)	Tolerance range (%) +/-	Fund	Objective
12.5	1.25	FTSE-RAFI All World 3000 Equity Index Fund	To track the performance of FTSE-RAFI All World 3000 Equity Index (less withholding tax where applicable) to within +/- 1.0% per annum for two years out of three.
37.5	2.25	FTSE-RAFI All World 3000 Equity Index Fund – GBP Hedged	To track the performance of the FTSE-RAFI All World 3000 Equity Index (less withholding tax where applicable) – GBP Hedged to within +/- 1.0% per annum for two years out of three.
12.5	1.25	All World Equity Index Fund	To track the performance of the FTSE All-World Index (less withholding tax where applicable) to within +/- 0.5% per annum for two years out of three.
37.5	2.25	All World Equity Index Fund – GBP Hedged	To track the performance of the FTSE All-World Index (less withholding tax where applicable) – GBP Hedged (with the exception of emerging markets), which is a customised index to within +/- 0.5% per annum for two years out of three.

The fees for each of the underlying funds are outlined in the table below:

Fund	Fee (% pa)
FTSE-RAFI All World 3000 Equity Index Fund	0.250
FTSE-RAFI All World 3000 Equity Index Fund – GBP Hedged	0.275
All World Equity Index Fund	0.175
All World Equity Index Fund – GBP Hedged	0.198

4. Property – 7.5% of Total Assets

The Scheme invests in long lease property through a pooled fund with Standard Life Investments Limited (“Standard Life”) respectively. The Scheme is invested in the income distributing share class to provide cashflow for the Scheme.

Fund	Objective	Fees (% pa)
Standard Life Long Lease Property Fund	To outperform the return of All Stocks Gilts +2% pa over the long term.	0.50

5. Diversified Credit – 15% of Total Assets

The Trustee has made two Private Credit commitments; one to M&G for £9.5m and one to Barings for £11.0m. The M&G Illiquid Credit Opportunities Fund (“ICOF”) has reached the end of its investment period and will be returning capital to the Scheme over the next few years. On the other hand, the Barings European Private Loan Fund II is early in its investment period and will be issuing capital calls over the next couple of years.

As the allocation to Private Credit will fluctuate over time, the Trustee also invests in Asset Backed Securities (“ABS”) with Aegon Asset Management (“Aegon”) to provide the balance of the Scheme’s allocation to higher returning credit (referred to in aggregate as Diversified Credit). Any monies committed to Private Credit, but not yet drawn, will be invested in ABS as a high quality, low-risk and liquid holding arrangement.

Equally, as the Private Credit investments mature and distribute cash over time, this cash will be invested in ABS. This process is expected to de-risk the Scheme over time. As a result of this fluidity, there is no formal allocation split between the funds.

Fund	Objective	Fees (% pa)
Aegon European ABS Fund	Informal objective is to outperform 3-Month GBP LIBOR plus 2% pa (net of fees)	0.25 (additional 0.03% pa in respect of currency hedging)
Barings European Private Loan Fund II	To produce an IRR of 6.5% - 7.5% pa	0.85
M&G Illiquid Credit Opportunities Fund	To outperform 3-Month LIBOR plus 5% pa	0.65-0.70 ²

6. Buy & Maintain Corporate Bonds – 17.% of Total Assets

The Trustee has invests in Buy & Maintain Corporate Bonds with LGIM. This allocation is implemented via two pooled funds which amortise over time, providing cashflow for the Scheme. The cashflows from this mandate are incorporated into the Scheme’s liability hedging.

The fee for this mandate is 0.1% pa.

² M&G fee starts at 0.35% pa for an initial ABS portfolio and increases to 0.65%-0.70% pa as assets are invested in other strategies.

7. Liability hedging (including Cash) – 50% of Total Assets

The Scheme's liability hedging mandate is implemented via a bespoke pooled fund where the Scheme is the sole investor. The fund uses leverage. The liability hedging mandate is passive in nature, but LGIM do operate efficient hedge management. LGIM focus on matching the liabilities as a primary goal, but as a secondary goal, aim to keep the hedge as efficient as possible (by conducting duration and curve neutral trading when opportunities arise to enhance yield – for example, swapping an existing gilt for a newly issued one with a higher yield). The Trustee (with LGIM) has designed the hedge to target 90% interest rate hedging and 80% inflation hedging (as measured on a gilts flat liability basis), taking into account the hedging characteristics of the Scheme's other assets.

The Scheme pays fees according the tiered fee schedule below subject to a minimum fee of £100,000 pa:

- 0.07% pa on liabilities hedged for first £200m;
- 0.06% pa on liabilities hedged above £200m.

IPID signed for and on behalf of Hermes Pension Trustees Limited:

Signed: _____

Signature:

Email: