The Inspirations Group Pension Scheme

Statement of Investment Principles

September 2020

Contents

1. Introduction

1.1. This is the Statement of Investment Principles prepared by the Trustee of The Inspirations Group Pension Scheme ("the Scheme"). This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004; and
- the Occupational Pension Schemes (Investment) Regulations 2005, as amended by the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2010; the Occupational Pension Schemes (Charges and Governance) Regulations 2015; the Occupational Pension Schemes (Investment) (Amendment) Regulations 2018; and
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

1.2. The Principal Employer of the Scheme, Thomas Cook UK Travel Limited, has entered liquidation and the Scheme is currently in an assessment period for the Pension Protection Fund (the "PPF"). Therefore, in preparing this statement the Trustee has obtained advice from Barnett Waddingham LLP, the Trustee's investment consultants. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.

1.3. This statement has been prepared with regard to the 2001 Myners review of institutional investment (including subsequent updates), and Scheme Funding legislation.

1.4. The Trustee will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.

1.5. The investment powers of the Trustee is set out in Clause 2 of the Trust Deed & Rules, dated 2 September 1997. This statement is consistent with those powers.

2. Choosing investments

2.1. The Trustee's policy is to set the overall investment target and, in doing so, the Trustee has taken into account the fact that the PPF may assume responsibility for the Scheme or that the Trustee may aim to secure benefits with an insurance company. The Trustee will then monitor the performance of their managers against that target. In doing so, the Trustee considers the advice of their professional advisers, who they consider to be suitably qualified and experienced for this role.

2.2. The day-to-day management of the Scheme's assets is delegated to one or more fund managers. The Scheme's fund managers are detailed in the Appendix to this Statement. The fund managers are authorised and regulated by the Financial Conduct Authority, and are responsible for stock selection and the exercise of voting rights.

2.3. The Trustee reviews the appropriateness of the Scheme's investment strategy on an ongoing basis. This review includes consideration of the continued competence of the fund managers with respect to performance within any guidelines set. The Trustee will also consult the PPF before amending the investment strategy.

2.4. The Trustee considers any guidance set out by the PPF, including the PPF's own Statement of Investment Principles, when choosing the Scheme's investments during the PPF assessment period.

3. Investment objectives

3.1. The Trustee has discussed key investment objectives in light of an analysis of the Scheme's liability profile as well as the constraints the Trustee faces in achieving these objectives. As a result, the Trustee's main investment objectives are:

- to ensure that they can meet the members' entitlements as they fall due, in accordance with the Trust Deed and Rules and overriding PPF requirements during the PPF assessment period ;
- to manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's funding level;
- to invest in assets of appropriate liquidity which will generate income and capital growth to meet the cost of current benefits which the Scheme provides;
- to reduce the risk of the assets failing to meet the liabilities over the long term;
- to minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the above objectives.

3.2. The Trustee is aware of the relationship that exists between the particular investment portfolio that is held and the level of funding of the Scheme's liabilities. The Trustee has obtained exposure to investments that they expect will meet the Scheme's objectives as best as possible.

4. Kinds of investments to be held

4.1. The Scheme is permitted to invest in a wide range of assets including:

- Equities;
- Bonds;
- Cash;
- Liability Driven Investment
- Property;
- Alternatives (e.g. private equity, derivatives, high yields debt, infrastructure etc.).
- Annuity Policies.

4.2. The Trustee considers any guidance set out by the PPF when choosing the Scheme's investments during the PPF assessment period, as well as the possibility of securing benefits with an insurer.

5. The balance between different kinds of investments

5.1. The Scheme invests in assets that are expected to achieve the Scheme's objectives. The allocation between different asset classes is contained within the Appendix to this Statement.

5.2. The Trustee considers the merits of both active and passive management for the various elements of the portfolio and may select different approaches for different asset classes. The current arrangements are set out in the Appendix to this Statement.

5.3. From time to time the Scheme may hold cash and therefore deviate from its strategic or tactical asset allocation in order to accommodate any short-term cashflow requirements or any other unexpected items.

5.4. The Trustee is aware that the appropriate balance between different kinds of investments will vary over time and therefore the Scheme's asset allocation is expected to change as the Scheme's liability profile matures.

6. Risks

6.1. The Trustee has considered the following risks for the Scheme with regard to its investment policy and the Scheme's liabilities, and considered ways of managing/monitoring these risks:

Risk versus the liabilities	The Trustee will monitor and review the investment strategy with respect to the liabilities in conjunction with each actuarial valuation. During the PPF assessment period, the investment strategy will be set with consideration of an appropriate level of risk, having consulted with the PPF.
Covenant risk	The Principal Employer has entered liquidation and the investment strategy is no longer set with reference to the Employer covenant. It is instead set with reference to guidance set by the PPF and the possibility of the Trustee securing benefits with an insurance company.
Solvency and mismatching	The risk is addressed through the asset allocation strategy. The Trustee is aware that the asset allocation required to minimise the volatility of the solvency position may be different from that which would minimise the volatility on the Scheme's PPF funding basis.
Asset allocation risk	The asset allocation is detailed in the Appendix to this Statement and is monitored on a regular basis by the Trustee.
Fund manager risk	The Trustee monitors the performance of the Scheme's fund manager on a regular basis in addition to having meetings with the manager from time to time as necessary. The Trustee has a written agreement with the fund manager, which contains a number of restrictions on how the fund manager may operate.
Governance risk	Each asset manager is expected to undertake good stewardship and positive engagement the assets held. The Trustee monitors these and will report on the managers' practices ir Implementation Statement.
ESG/Climate risk	The Trustee has considered long-term financial risks to the Scheme, and ESG factors as well as climate risk are potentially financially material, and will continue to develop their policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments in order to avoid unexpected losses.

Concentration / Market risk	The fund manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual securities.
Liquidity risk	The Scheme invests in assets such that there is a sufficient allocation to liquid investments that can be converted into cash at short notice given the Scheme's cashflow requirements. The Scheme's administrators assess the level of cash held in order to limit the impact of the cashflow requirements on the investment policy.
Currency risk	The Scheme's liabilities are denominated in sterling. The Scheme may gain exposure to overseas currencies by investing in assets that are denominated in a foreign currency or via currency management.
Loss of investment	The risk of loss of investment by the fund manager and custodian is assessed by the Trustee. This includes losses beyond those caused by market movements (e.g. default risk, operational errors or fraud).

7. Expected return on investments

7.1. The Trustee has regard to the relative investment return and risk that each asset class is expected to provide. The Trustee is advised by their professional advisors on these matters, who they deem to be appropriately qualified experts. However, the day-to-day selection of investments is delegated to the fund managers.

7.2. The Trustee recognises the need to distinguish between nominal and real returns and to make appropriate allowance for inflation when making decisions and comparisons.

7.3. In considering the expected return from investments, the Trustee recognises that different asset classes have different long-term expected returns and expected volatilities relative to the liabilities of the Scheme.

7.4. Having established the investment strategy, the Trustee monitors the performance of the fund manager against an agreed benchmark as frequently as appropriate according to market conditions (and the Scheme's funding position). The Trustee meets the Scheme's fund manager as frequently as is appropriate, in order to review performance.

8. Realisation of investments

8.1. The Trustee has delegated the responsibility for buying and selling investments to the fund managers. The Trustee has considered the risk of liquidity as referred to above.

8.2. Ultimately, the investments will all have to be sold when the Scheme's life comes to an end. In this situation, the Trustee is aware of the fact that the realisable value of some investments, were there to be a forced sale, might be lower than the market value shown in the Scheme accounts.

9. Financially material considerations, exercise of voting rights, and engagement activities, and non-financial matters

Policy on financially material considerations

9.1. The Trustee believes that Environmental, Social and Governance ("ESG") factors are financially material – that is, they have the potential to impact the value of the Scheme's investments from time-to-time. Given the insolvency of the Principal Employer the future timeframe of the Scheme is uncertain. Were the Scheme to transfer into the PPF or were the Trustee to secure benefits with an insurance company then the Trustee does not expect Environmental, Social and Governance (ESG) factors to have a material impact over the period until these possible events. However, were the Scheme to continue to exist over a longer timeframe the Trustee believes that ESG factors will remain financially material for the Scheme. The Trustee appreciates that the method of incorporating ESG in the investment strategy and process will differ between asset classes. A summary of the Trustee's view for each asset class in which the Scheme invests is outlined below.

9.2. Based on the research findings and their discussions the Trustee agrees that these factors have the potential to impact the risk and/or return profile of the Scheme's investments from time to time, however, the Trustee appreciates that this impact will vary between different asset classes.

9.3. The Trustee is comfortable that the funds currently invested in by the Scheme are managed in accordance with their views on financially material factors, as set out below.

9.4. The Trustee delegates the consideration of all financially material factors in relation to determining the underlying holdings, including ESG factors, to the Scheme's investment manager as part of their day-to-day management.

Buy and maintain bonds

The Trustee believes that ESG issues will be financially material to the risk-adjusted returns achieved by the Scheme's buy and maintain bonds holding. The Trustee therefore requires the fund manager to consider ESG issues when selecting investments. The Trustee recognises that fixed income assets do not typically provide voting rights; they support engagement with companies by the fund manager. The process for incorporating ESG issues should be consistent with, and proportionate to, the rest of the investment process.

LDI and money market

The Trustee believes there is less scope for the consideration of ESG issues to improve risk-adjusted returns in these asset classes because of the nature of the instruments used within the LDI funds and the fact that money market investments are short term.

Policy on the exercise of voting rights and engagement activities

9.5. The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the fund manager. The Trustee also expects the manager to engage with companies in relation to ESG matters. The Trustee is comfortable with the fund managers' strategies and processes for exercising rights and conducting engagement activities, and specifically that they attempt to maximise shareholder value as a long-term investor.

9.6. The Scheme's investment consultants, Barnett Waddingham, are independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.

9.7. The Trustee expects all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustee believes they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee/investment manager and the investee companies.

Policy for taking into account non-financial matters

9.8. The Trustee does not consider any non-financial matters when constructing the investment strategy and/or when selecting or reviewing fund managers.

10. Agreement

10.1. This statement was agreed by the Trustee, and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the PPF, the fund managers, the actuary and the Scheme auditor upon request.

For and on behalf of Open Trustees Limited

Signed: ....

Name: Jonathan Hazlett

Position: Director

Date: 30 September 2020

The Trustee of the Inspirations Group Pension Scheme

Appendix 1 Note on investment policy of the Scheme in relation to the current Statement of Investment Principles dated September 2020

1. The balance between different kinds of investment

The Scheme has a strategic asset allocation as set out in the table below, which has been agreed after considering the Scheme's liability profile, funding position, expected return of the various asset classes and the need for diversification. The position will be reviewed on an ongoing basis in light of the liquidation of the Employer, and is expected to change in the near future following consultation with the PPF.

Asset Allocation

The Trustee recognises that the asset allocation of investments in different asset classes will vary over time as a result of market movements. The Trustee seeks to maintain a balance between maintaining the asset allocation in line with its benchmark and limiting the costs of rebalances. The long-term asset allocation for the assets is as follows:

Fund	Allocation
Liability-Driven Investment (LDI)	**70%**
BlackRock Liability Matching Profile Funds	70%
BlackRock ICS Sterling Liquidity Fund	
Bonds	**30%**
BlackRock Buy & Maintain UK Credit Fund	30%
Total Assets	**100%**

2. Choosing investments

The Trustee has appointed BlackRock Investment Management (UK) Limited ("BlackRock") to carry out the day-to-day investment of the Scheme. BlackRock are authorised and regulated by the Financial Conduct Authority.

The investment benchmarks and objectives for each fund managers are given below:

Fund	Benchmark	Objective
BlackRock Pooled Liability Matching Profile Funds	-	To hedge a subset of the liabilities of a typical UK pension scheme with respect to changes in interest rates and inflation
BlackRock Buy & Maintain Fund	-	To capture the credit risk premium within a globally diversified portfolio and to preserve value over the course of the credit cycle
BlackRock ICS Sterling Liquidity Fund	7-Day London Interbank Bid Rate (LIBID)	-

The performance of the fund managers will be monitored as frequently as the Trustee considers appropriate in light of the prevailing circumstances. The monitoring takes into account both short-term and long-term performance.

3. Fee agreements

The fee arrangements with the fund managers are summarised below:

Fund manager	Total Ongoing Charges
BlackRock Pooled Liability Matching Profile Funds	0.10% per annum
BlackRock Buy & Maintain Fund	0.14% per annum
BlackRock ICS Sterling Liquidity Fund	0.07% per annum

The Trustee has appointed Barnett Waddingham LLP to advise on investment matters. Barnett Waddingham are normally remunerated on a time-cost basis, although fixed fees may be agreed for specific tasks.

4. Investments and disinvestments

Investments and disinvestments are usually made so as to move the actual asset allocation more in line with the target asset allocation.

Appendix 2 Policy on arrangement with asset managers

How the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's investment policies

Prior to appointing the investment manager, the Trustee discusses the investment manager's benchmark and approach to the management of ESG and climate related risks with the Scheme's investment consultant.

When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustee also considers how ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be out of line with their own investment objectives for the part of the portfolio being considered, they may consider using another manager for the mandate.

In the event that the investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected of them, their appointment may be terminated.

How that arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term

The Trustee is mindful that the impact of ESG and climate change may have a long-term nature, which may exceed that of the PPF assessment period. However, the Trustee recognises that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustee has acknowledged this in their investment management arrangements.

When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustee assesses these over a rolling timeframe. The Trustee believes the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. It is acknowledged that such timeframes may be longer than the Scheme's likely lifetime, but consideration can be given to the manager's performance prior to the start of the assessment period or prior to the Scheme's investment. Where a fund may have an absolute return or shorter term target, this is generally supplementary to a longer term performance target.

The Trustee expects investment managers to be voting and engaging on behalf of the Scheme's holdings and, where relevant, the Scheme monitors this activity within the Implementation Statement in the Scheme's Report and Accounts. The Trustee does not expect ESG considerations to be disregarded by the investment managers in an effort to achieve any short term targets.

How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustee's investment policies

The Trustee monitors the performance of their investment managers over medium to long term periods as these are likely to be more meaningful in determining the appropriateness of performance as opposed to considering short time-periods.

The Scheme invests exclusively in pooled funds. The investment manager is remunerated by the Trustee based on the assets they manage on behalf of the Trustee. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less. In some instances, a performance fee may also be applied. Details of the fee structures for the Scheme's investment manager is contained in Appendix 1.

The Trustee believes that this fee structure, including the balance between any fixed and performance related element, enables the investment manager to focus on long-term performance without worrying about short term dips in performance significantly affecting their revenue.

The Trustee asks the Scheme's investment consultant to assess if the asset management fee is in line with the market when the manager is selected.

How the Trustee monitors "portfolio turnover costs" incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range

The Trustee acknowledges that portfolio turnover costs can impact on the performance their investments.

During the investment manager appointment process, the Trustee may consider both past and anticipated portfolio turnover levels. When underperformance is identified, deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices. The Trustee acknowledges that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements, can be beneficial to the fund from both a risk and cost perspective.

The duration of the arrangement with the asset manager

For the open-ended pooled funds in which the Scheme invests, there are no predetermined terms of agreement with the investment managers.

The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustee's investment beliefs is continuously under review as the prospect of winding outside of the PPF is being considered. Therefore the Trustee plans to retain the current managers for the remaining lifetime of the Scheme unless there are any significant changes to the Scheme's mandates.