Berkeley burke

Statement of Investment Principles

The Jelson Limited Pension and Life Assurance Scheme

Date: September 2020

1. BACKGROUND

1.1 This Statement of Investment Principles ("SoIP") sets out the principles governing decisions about investments for the **Jelson Limited Pension and Life Assurance Scheme** ("the Scheme"). It has been prepared in accordance with the requirements of:

- Section 35 of the Pensions Act 1995, as amended by the Pensions Act 2004;
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010;
- the Occupational Pension Schemes (Investment) (Amendment) Regulations 2018; and
- the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

It replaces the previous edition of the SoIP, dated 9th July 2019.

In its preparation the Trustees have obtained appropriate professional advice from their Investment Consultants, Berkeley Burke Employee Benefit Consultants Limited ("Berkeley Burke"), and have consulted with Jelson Holdings Limited ("the Principal Employer"), about the content of this SoIP. However, the ultimate power and responsibility for deciding investment policy lies with the Trustees.

This SoIP may require amendment as general investment conditions alter and as the liabilities of the Scheme change over time. It is therefore the intention of the Trustees to review this SoIP from time to time. This SoIP is consistent with the Scheme's governing documents.

1.2 The Scheme is Registered, provides final-salary benefits and is closed to the accrual of any further benefits (i.e. there are only deferred and pensioner members). There is no employer-related investment made by the Trustees, and none is intended.

1.3 The Scheme's assets are held in trust by the Trustees. The Trustees' powers of investment are set out in Clause 10 of the Definitive Trust Deed and Rules dated 2 October 2017. This SoIP is consistent with those powers.

1.4 As required by the Pensions Act the Trustees have appointed Investment Managers, for the day-to-day management of the majority of the Scheme's assets. The Investment Managers currently employed by the Trustees to manage the assets of the Scheme are set out in Appendix 3. The Trustees have a signed Investment Management Agreement ("IMA") or Letter of Appointment with each Investment Manager setting out in detail the terms on which the portfolio is managed. The Investment Managers are responsible for the day-to-day investment management of the Scheme's assets. The Investment Managers are suitably authorised under the Financial Services and Markets Act 2000.

The custody and safekeeping of the assets is provided by the custodian of the relevant funds.

The Investment Managers and custodians are required to abide by this SoIP and, where appropriate, the IMA and/or Letter of Appointment.

1.5 The Trustees employ their Investment Consultants to help them monitor their Investment Managers, to advise them in general on matters relating to the Scheme's investments and to maintain this SoIP.

1.6 The SoIP must be made available to members but it does not have to be circulated automatically. The Trustees' annual report will explain how members may obtain a copy of the latest SoIP.

1.7 The Trustees monitor investments on a quarterly basis. Advice is received as required from professional advisers.

1.8. In determining the Scheme's investment strategy the Trustees have consulted the Principal Employer. The Principal Employer will also be consulted if the SoIP is revised. The consultations with the Principal Employer are not negotiations and the Trustees' decision is final. The Principal Employer does, however, fund the Scheme and therefore the Trustees consider it prudent for the Principal Employer to be kept informed.

All investment decisions for the Scheme are under the Trustees' control with no constraint from the Principal Employer.

1.9 The Trustees are responsible in respect of investment matters for:

a) Reviewing annually, triennially and following any significant change in investment policy, the content of this SoIP and modifying it if deemed appropriate.

b) Reviewing the investment policy following the results of each actuarial valuation, and/or any asset/liability modelling exercise.

c) Based on advice received from the Investment Consultant and the Scheme Actuary, the Trustees must take into account the liabilities of the Scheme, review the asset allocation, the suitability of investments and the need for diversification.

d) Appointing (and, when necessary, dismissing) Investment Managers.

e) Appointing (and, when necessary, dismissing) Independent Advisers.

f) Appointing (and, when necessary, dismissing) Actuaries.

g) Assessing the quality of the performance and processes of the Investment Managers by reviewing the performance statistics against agreed benchmarks and by regular meetings with the Investment Managers.

2. OVERALL INVESTMENT STRATEGY AND POLICY FOR MEETING THE STATUTORY FUNDING OBJECTIVE ("SFO")

Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustees acting on advice from their Investment Consultants (and Scheme Actuary where applicable). The other element of the policy is the day-to-day management of the assets which is delegated to the Investment Managers. Having considered advice from Berkeley Burke, the Trustees have set the investment policy, as described in this SoIP, with regard to the Scheme's liabilities and funding level.

The Trustees require the Scheme Actuary to review the funding level of the Scheme regularly. The Trustees must aim to have sufficient and appropriate assets to cover the technical provisions under the SFO.

2.1 Taking these factors into account, together with the expected returns and risks relative to the liabilities on different types of investment, the Trustees believe that it is appropriate to adopt the following overall objectives for the Scheme:

a) The acquisition of suitable assets of appropriate liquidity which will generate income and capital growth to meet, together with new contributions from the Employer, the cost of the benefits which the Scheme provides.

b) To ensure that sufficient assets are available to meet the liabilities of the Scheme as they fall due.

c) To limit the risk of the assets failing to meet the liabilities over the long term.

d) To minimise periods when the Scheme is in deficit and to achieve and maintain a position of being at least 100% funded on a Statutory Funding Objective (Technical Provisions) basis.

e) To aim for a solvent position in the event of the winding up of the Scheme.

f) To minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the volatility of pension costs in the Employer's accounts.

It is accepted that at different times within the economic cycle, acceptable levels of risk may change according to market conditions.

2.2 To achieve these overall objectives, and following the actuarial valuation of 5 April 2018, the Trustees have decided upon the following investment strategy:

20% of the assets will be held 'on-risk' and expected to earn 2% per annum above the return available from government bonds. The remaining 80% of the assets will be held 'off-risk' with the aim of matching the Scheme's liabilities to preserve the funding level of the Scheme and minimise the funding level volatility. This is the long-term funding strategy of the Scheme.

The Scheme's asset allocation in accordance with this investment strategy is set out within Appendix 1.

2.3 Expected return on investments - the investments are expected to produce a return over the medium term at least equal to the investment return assumed in the valuation of the liabilities in the actuarial valuation.

3. RISK

The following measures have been implemented to reduce the risks associated with making investments:

3.1 Number of managers

The Trustees have delegated the management of the assets to a series of Investment Managers, as set out within Appendix 2 and 3, and therefore have spread investment manager risk across a series of parties.

3.2 Employer-related investment

The Trustees' policy is not to hold any employer-related investments.

3.3 Manager controls

Powers of investment delegated to the Investment Managers must be exercised with a view to giving effect to the principles contained in this SoIP so far as is reasonably practicable. The Investment Manager will also ensure that suitable internal operating procedures are in place to control individuals making investments for the Scheme.

3.4 Trustees' policy towards risk

There are various risks to which any pension scheme is exposed. The Trustees have considered the following risks:

- The risk of a deterioration in the Scheme's funding level over the long term.
- The risk of a shortfall of assets relative to the liabilities as determined if the Scheme were to wind up.
- The risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustees. They recognise that the use of an active Investment Manager involves such a risk.

3.5 Environmental, Social and Governance ("ESG") risks

Each Investment Manager is expected to undertake good stewardship and positive engagement in relation to the Scheme's investments. The Trustees monitor this and will report on the Investment Managers' records in their annual Implementation Statement. The Trustees consider that the long-term financial risks to the Scheme and ESG factors, including climate risk, are potentially financially material. They will evolve their policy in the light of these and other factors in developing the investment strategy with a view to reducing the chances of unexpected losses.

3.6 Lack of diversification

The Trustees believe that there is a need for an adequately diversified overall asset allocation to avoid the risk of overexposure to any one particular sector, relative to the liabilities. The funds which have been selected are viewed as appropriate investment vehicles for the investment strategy the Scheme.

3.7 Realisation of investments

The Trustees' policy is to ensure that the assets invested are sufficiently realisable to enable the Trustees to meet their obligation to provide benefits as they fall due. The Trustees are satisfied that the arrangements in place conform to this policy.

3.8 Criteria for fund manager selection

The Trustees have identified the criteria by reference to which Investment Managers should be selected. These include:

- Past performance
- Quality of the investment process
- Level of fees
- Reputation of the manager
- Familiarity with such mandates
- Service
- Reporting
- Administration
- Team proposed
- The quality of the individual fund managers

3.9 Criteria for Dismissal

Investment Managers may be replaced if:

a) they fail to meet the performance targets;

b) the Trustees believe that the manager is not capable of achieving these performance objectives in the future; and/or

c) they fail to maintain satisfactory standards in respect of the other criteria.

4. Environmental, Social and Governance factors

Financially material considerations

The Trustees have assessed how financially material considerations (including ESG factors such as climate change) should be taken into account in the selection, retention and realisation of investments over the length of time over which benefits will be provided by the Scheme. The Trustees consider these and other factors when selecting and reviewing the Scheme's investments.

ESG issues may, along with other issues, be financially material to the Scheme's investment portfolio. The Trustees consider the long-term financial interests of the Scheme to be paramount and, where appropriate and practical, expect the Investment Managers to:

- consider financially material ESG issues in investment decision making; and
- practice good stewardship.

Non-financially material considerations

Non-financial matters, including the ethical views of members, are not ordinarily taken into account in the selection, retention and realisation of investments and the Trustees do not therefore consult members on such issues. In reaching this decision, the Trustees have considered both the challenges of engaging a properly representative sample of members and the probability that there would be no consensus amongst members who might respond.

Stewardship and Voting Rights

The Trustees have elected to invest the Scheme's assets via pooled funds. The direct control of the process of engaging with the companies which issue the debt and equities which are held within these funds and for the exercise of rights (including voting rights) is delegated to the managers of the funds. The Trustees acknowledge that they cannot directly control the investments held within pooled funds but they encourage the Investment Managers to engage with the companies in which they invest and to vote when it is practical to do so. The Trustees expect that the Investment Managers will use their influence as substantial investors to exercise their rights and duties as a shareholder and where appropriate to promote good corporate governance and accountability and to assess how the companies take into account ESG factors in running their businesses.

Incentivising fund managers to align with the Trustees' policies

Before appointing a fund manager, the Trustees consider its approach to the management of ESG and climate-related risks with their investment consultant to assess how that approach compares with their policies. If any aspects of the fund manager's approach varies markedly from their policies, they will consider appointing another manager for the mandate. The Trustees monitor the approaches of the fund managers on an annual basis. If a fund manager's approach varies from the Trustees' policies, its appointment will be reviewed and it may ultimately result in the termination of its mandate.

The fees paid to the Investment Managers which are based on the size of the assets they manage, and the possibility of their mandates being terminated, ensure that they are incentivised to align their approaches with the Trustees' policies. The better the performance of the Investment Managers, the greater the remuneration.

Before selecting a fund manager, the Trustees obtain confirmation from their Investment Consultant that the fee is in line with the market and the level of fees is then periodically reviewed.

Incentivising decisions based on assessments of medium to long-term financial and non-financial considerations

The Trustees appreciate that the wider impacts of ESG factors and climate change are likely to be most apparent over the long-term but note that changes in the value of investments as a result of these factors can materialise over a much shorter period of time. The Trustees consider that the use of rolling 3 and 5 year timeframes is consistent with incentivising fund managers to make decisions which are based on an appropriate period.

Monitoring portfolio turnover and costs

The Trustees recognise that portfolio turnover, i.e. the frequency with which assets are bought and sold, and the associated transaction costs are a necessary part of investment management. They accept too that turnover costs can have a detrimental impact on performance which is why net performance figures are considered as part of the quarterly monitoring process. When new fund managers are under consideration, the Trustees will assess past and anticipated portfolio turnover levels. If underperformance is subsequently identified, deviations from anticipated turnover levels may be investigated if it is felt that they may have been a significant contributor to that underperformance.

The Trustees expect the Investment Managers to divulge portfolio turnover on an annual basis.

Duration of fund manager agreements

The durations of the Trustees' agreements with the Investment Managers are not pre-determined but the Trustees anticipate that all appointments will be long-term unless fund managers underperform or the Scheme's investment strategy is changed.

5. COMPLIANCE WITH THIS STATEMENT

5.1 The Investment Managers will supply the Trustees with sufficient information each quarter to facilitate a review of its activity, including:

(a) A review of recent performance and of the Investment Manager's proposed stance for the future, including a summary of how the Investment Manager has managed short-term asset allocation relative to the fund's long-term investment objective.

(b) Explanations of any new investment categories that the Investment Manager wishes to invest in, together with its proposals.

(c) Any changes at either the Investment Manager or the custodian which might affect the suitability of the Investment Managers to manage the Scheme's assets.

(d) A full valuation of the assets, a transaction report and a cash reconciliation.

In addition, the Investment Managers will inform the Trustees as soon as practicable about any serious breach of internal operating procedures which may affect the Scheme.

5.2 The Trustees will:

(a) Review this SoIP each year in conjunction with their Investment Consultants taking particular note of the impact of any changes in the Scheme's liabilities and of the SFO.

(b) Review this SoIP in response to any material change to any aspect of the investment arrangements detailed above in conjunction with their Investment Consultants.

(c) Review the investment performance of the Investment Managers on a quarterly basis.

(d) Keep under review the suitability of the Investment Managers.

(e) Keep under review the fee levied by the Investment Managers.

(f) Note compliance with this SoIP at a Trustees' meeting, no less frequently than annually.

(g) Make a copy of this SoIP available for inspection by Scheme members on request.

6. COMPLIANCE WITH THE MYNERS REPORT RECOMMENDATIONS

The Scheme complies with the ten investment principles which were set out in the Myners Report on Institutional Investment.

7. TRUSTEE AGREEMENT

This SoIP is agreed and signed for and on behalf of the Trustees of the Jelson Limited Pension and Life Assurance Scheme.

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Trustee

ROSS DEABILL
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Name

21ST SEPTEMBER 2020
....

Date

APPENDIX 1 – TARGET ALLOCATION TO OFF-RISK ASSETS

- Current target allocation to off-risk assets: **80% of total Scheme assets.**
- The Trustees will consider immediate rebalancing if at any quarter-end this proportion invested in off-risk assets is +/-5% the target allocation identified above.

APPENDIX 2 – CURRENT TARGET ASSET ALLOCATIONS

Fund	Asset class	% of total assets*
Schroders - Diversified Growth Fund	DGF	7
Columbia Threadneedle Dynamic Return Fund	DGF	7
M&G Episode Allocation Fund	DGF	7
On-risk assets / DGF sub-total		*20*
LGIM – series of 11 fixed-interest and index-linked gilt funds	Bonds	up to 80
Cash (Trustee Bank Account)	Cash	<5
Off-risk assets sub-total		*80*
Total		100

Notes:

- Percentages of total assets are rounded to the nearest whole number.
- The on-risk assets are currently split equally between the three DGF managers, with the total allocation to on-risk assets to be 20%. The Trustees will consider rebalanced this split on an annual basis.
- Cash is currently held to meet the monthly cashflow requirements of the Scheme, rather than making regular disinvestments to meet this need. This will be reviewed at future Trustee meetings.
- The full list of the gilt funds held by the Scheme is shown in Appendix 3.

APPENDIX 3 – INVESTMENT MANAGERS PERFORMANCE TARGETS

Fund	Performance target / benchmark
Schroders - Diversified Growth Fund	Target RPI +5% pa net over a 5-7 year period (economic cycle)
Columbia Threadneedle Dynamic Return Fund	Positive real rate of return above inflation (CPI) over the medium to long term and to provide a positive return over a three year time period. (CPI +4% pa)
M&G Episode Allocation Fund	Income and capital growth through investment in a diversified range of assets. Subject to this, the fund aims to grow income in the long term – that is, over five years or more. (1 month LIBOR +5% pa)
LGIM - Over 15 year Fixed Interest Gilt	To Track the total return of the FTSE A Government (Over 15yr) Index to within +/- 0.25% p.a for two years in three
LGIM - Over 15 year Index Linked Gilt	To track the total return of the FTSE A Index Linked (Over 15yr) Index to within +/- 0.25% p.a for two years in three
LGIM – 2034 Gilt	
LGIM – 2038 Gilt	
LGIM – 2046 Gilt	
LGIM – 2055 Gilt	
LGIM – 2027 Index-Linked Gilt	
LGIM – 2032 Index-Linked Gilt	
LGIM – 2037 Index-Linked Gilt	
LGIM – 2042 Index-Linked Gilt	
LGIM – 2055 Index-Linked Gilt	