

Statement of Investment Principles

The Jelson Limited Pension and Life Assurance Scheme

Date: July 2023

Options EBC Limited

1. BACKGROUND

- 1.1** This Statement sets out the principles governing decisions about investments for the **Jelson Limited Pension and Life Assurance Scheme** ("the Scheme"). It complies with the requirements of Section 35 of the Pensions Act 1995 (as amended by Section 244 of the Pensions Act 2004). This edition of the Statement of Investment Principles ("SIP") has been prepared in accordance with Regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010, 2018 and 2019. It also meets the Pension Regulator's guidance for defined benefit schemes (March 2017). This SIP replaces the previous edition of the SIP dated July 2019.

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

This SIP 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 SIP from time to time. This SIP 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 SIP is consistent with those powers.
- 1.4** As required by the Pensions Act the Trustees have appointed Legal & General Investment Management Limited ("the Investment Manager"), for the day-to-day management of the majority of the Scheme's assets. The Investment Manager is recorded in Appendix 2. The Trustees have a signed Investment Management Agreement ("IMA") or Letter of Appointment with the Investment Manager setting out in detail the terms on which the portfolio is managed. The Investment Manager is responsible for the day-to-day investment management of the Scheme's assets. The Investment Manager is 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, Citibank, NA.

The Investment Manager and custodian are required to abide by this SIP 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 SIP.
- 1.6** The SIP 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 SIP.
- 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 SIP 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 SIP 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 Consultants 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 Manager by reviewing the performance statistics.

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 Manager. Having considered advice from Options EBC Limited, the Trustees have set the investment policy, as described in this SIP, 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) To maintain a funding level which is at or around 100% on an estimated buy-out basis.
- 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 match as precisely as is practical and cost-effective fluctuations in the prices of bulk annuities.
- e) To aim for a solvent position in the event of the winding up of the Scheme.

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, following improvements in the funding level, the Trustees have decided to allocate 100% of the invested assets to a matching portfolio of pooled gilt, index-linked gilt and cash funds. The current allocation is shown in Appendix 1 and the funds in which the Scheme currently invests are shown in Appendix 3. The investments are expected to produce a return which equates approximately to changes in the purchase prices of bulk annuities.

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 one Investment Manager, as set out in Appendix 2.

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 Manager must be exercised with a view to giving effect to the principles contained in this SIP, 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 on an estimated buy-out basis, although the adoption of a matched investment strategy reduces that risk.
- The risk of a shortfall of assets relative to the liabilities as determined if the Scheme were to wind up.
- The risk that there are insufficient liquid funds to pay benefits as they fall due.
- The risks posed by the lack of diversification of asset classes and holding assets which are closely correlated in terms of performance influences.
- The risks that derive from holding assets that perform differently from the liabilities which they are held to match. This risk is now reduced.
- The pricing mechanisms for bulk annuities vary between insurers and over time. Fine tuning of the matching portfolio will be considered when an annuity broker has been appointed and when the timing of a transaction is more certain.

3.5 Lack of diversification

The Trustees recognise that the lack of diversification could reduce the long-term investment return but have concluded that matching fluctuations in bulk annuity prices in the short-term is the more important objective. The funds which have been selected are viewed as appropriate investment vehicles for the investment strategy of the Scheme.

3.6 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.

3.7 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

3.8 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 ("ESG") factors

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 which is held within these funds and for the exercise of 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. The Trustees expect that investment managers will use their influence as substantial investors to exercise their rights and duties 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. The Trustees require investment managers to consider ESG factors in their decision-making, recognising that how they do this will be dependent on the asset class characteristics and will be more limited with gilt and index-linked gilt funds than it would be if the Scheme were to be invested in growth assets.

Incentivising fund managers to align with the Trustees' policies

Before appointing an investment 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 Investment Manager on an annual basis. If its 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 Manager are based on the size of the assets it manages, and the possibility of its mandate being terminated, ensures that it is incentivised to align its approaches with the Trustees' policies.

Before selecting an investment manager, the Trustees obtain confirmation from the Investment Consultants that the fee is in line with the market.

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. 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 Manager to divulge portfolio turnover on an annual basis.

Duration of fund manager agreements

The duration of the Trustees' agreement with the Investment Manager is not pre-determined but the Trustees anticipate that all appointments will be long-term unless investment managers underperform or the Scheme's investment strategy is changed.

5. COMPLIANCE WITH THIS STATEMENT

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

- (a) A review of recent performance.
- (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 Manager to manage the Scheme's assets.
- (d) A full valuation of the assets, a transaction report and a cash reconciliation.

In addition, the Investment Manager 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 SIP each year in conjunction with their Investment Consultants taking particular note of the impact of any changes in the Scheme's liabilities.
- (b) Review this SIP 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 Manager on a quarterly basis.
- (d) Keep under review the suitability of the Investment Manager.
- (e) Keep under review the fee levied by the Investment Manager.
- (f) Note compliance with this SIP at a Trustees' meeting, no less frequently than annually.
- (g) Make a copy of this SIP available for inspection by Scheme members by placing it on a publicly accessible website.

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 SIP is agreed by the Trustees of the Jelson Limited Pension and Life Assurance Scheme on 3rd July 2023.

APPENDIX 1 – CURRENT TARGET ASSET ALLOCATIONS

48% in pooled gilt funds ,43% in pooled index-linked funds and the balance in cash. The overall asset allocation and the splits between the individual funds will evolve and will be reviewed at each meeting of the Trustees and following any significant market changes.

The amount allocated to the Sterling Liquidity Fund will decline because monthly disinvestments will be made from this fund, and as and when required, to meet benefit payments. To the extent that that there are insufficient assets in the Sterling Liquidity Fund for this purpose, disinvestments will be made from the 0-to5-year Gilts Index Fund.

APPENDIX 2 – INVESTMENT MANAGER

Legal & General Investment Management Limited, One Coleman Street, London, EC2R 5AA .

APPENDIX 3 – INVESTMENT MANAGERS PERFORMANCE TARGETS

Fund	Market Index
Sterling Liquidity Fund	SONIA
0-to-5-year Gilts Index Fund	FTSE A UK Gilts < 5 years
Over 15 year Gilts Index Fund	FTSE A UK Gilts >15 years
2034 Gilt Fund	2034 Single Stock Gilt
2038 Gilt Fund	2038 Single Stock Gilt
2046 Gilt Fund	2046 Single Stock Gilt
2055 Gilt Fund	2055 Single Stock Gilt
Over 15 year Index-Linked Gilts Index Fund	FTSE A Index-Linked >15 Years
2027 Index-Linked Gilt Fund	2027 Single Stock Index Linked
2032 Index-Linked Gilt Fund	2032 Single Stock Index Linked
2037 Index-Linked Gilt Fund	2037 Single Stock Index Linked
2042 Index-Linked Gilt Fund	2042 Single Stock Index Linked
2055 Index-Linked Gilt Fund	2055 Single Stock Index Linked