

# Holt JCB Pension and Life Assurance Plan

Statement of Investment Principles

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## 1 Background

<b>Purpose of Statement</b>	This Statement sets out the principles governing decisions relating to the investment of the assets of the Holt JCB Pension and Life Assurance Plan (the Scheme).
<b>Nature of Scheme</b>	The Scheme is a defined benefit arrangement set up under trust and registered with HM Revenue and Customs (HMRC).
<b>Compliance with Legislation</b>	This Statement has been prepared to comply with Section 35 of the Pensions Act 1995, Section 244 of the Pensions Act 2004, the Occupational Pension Scheme (Investment) Regulations 2005, the Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
<b>Availability to Members</b>	A copy of this Statement will be made available to Scheme members on request to the Trustees.
<b>Investment Advice</b>	<p>The Trustees have obtained and considered professional advice on the content of this Statement from BBS Consultants &amp; Actuaries Ltd (BBS), their appointed investment adviser. BBS have confirmed to the Trustees that it has the appropriate knowledge and experience to give the advice required under legislation.</p> <p>The Trustees will thereafter obtain such advice as they consider appropriate and necessary whenever they intend to review or revise this Statement.</p>
<b>Consultation with the Principal Employer</b>	<p>The Trustees have consulted the Principal Employer, Holt JCB Limited, in setting their investment objectives and strategy, and in the preparation of this Statement.</p> <p>Responsibility for maintaining the Statement and determining the Scheme's investment strategy rests solely with the Trustees.</p>
<b>Investment Powers</b>	The Trustees' investment powers are set out in the Trust Deed dated 31 March 1980, as amended. The powers granted to the Trustees under the Trust Deed are wide and this Statement is consistent with those powers.

## 2 Investment Objectives

<b>Strength of Employer Covenant</b>	The Trustees have considered the strength of the Principal Employer's willingness and ability to support the Scheme when setting the investment objectives and strategy.
<b>Key Funding Measure</b>	<p>The Scheme is subject to the Statutory Funding Objective (SFO) introduced by the Pensions Act 2004, i.e. that it should have sufficient and appropriate assets to cover its Technical Provisions, as calculated in accordance with the Trustees' Statement of Funding Principles.</p> <p>The Trustees have agreed that the funding position measured under the SFO is the assessment of scheme funding that is of most importance to the Trustees, the Principal Employer and members, as it determines the Scheme's funding requirements and members' long-term benefit security.</p>
<b>Investment Objectives</b>	<p>The Trustees' investment objectives are as follows:</p> <ul style="list-style-type: none"><li>• To ensure that the assets are of a nature to enable the Trustees to meet the Scheme's benefits as they fall due;</li><li>• To invest the Scheme's assets in an appropriately diverse and liquid range of investments;</li><li>• To invest in a way that is consistent with the Scheme's funding objectives, i.e. to invest so that the investment return assumptions used to determine the Trustees' funding plan have a reasonable chance of being achieved in practice;</li><li>• To target a level of hedging of around 70% of the risk to funding associated with the impact in changes in long-term interest rates on the Scheme's Technical Provisions; and</li><li>• Where future opportunities arise to increase protection against liability-related risks in such a way that it does not invalidate the Trustees' funding plan, the Trustees will consider steps to further reduce the volatility of the Scheme's funding position relative to its liabilities calculated under the SFO.</li></ul>
<b>Paying Regard to the Principal Employer's Views</b>	The Trustees will have regard to the Principal Employer's views on the potential costs and risks associated with the investment objectives set and their implementation through the practical strategy.

### 3 Principles for Setting the Investment Strategy

#### **Selection of Investments**

The Trustees may select investments from a wide range of asset classes from time to time, including, but not restricted to, UK equities, overseas equities, government bonds, corporate bonds, commercial property and alternative asset classes, such as hedge funds, private equity and infrastructure.

The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level.

The Trustees may invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Scheme's investments.

The Trustees may hold insurance policies such as deferred or immediate annuities which provide income to the Scheme, matching part or all of the future liabilities due from it.

The Trustees may hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Scheme.

#### **Balance of Investments**

The Trustees will set a Target Asset Allocation from time to time, determined with the intention of meeting their investment objectives.

The Target Asset Allocation will be set taking account of the characteristics of different asset classes available and will be reviewed in light of any changes to the Trustees' view of the employer covenant, the nature of the Scheme's liabilities or relevant regulations governing pension scheme investment.

#### **Delegation to Investment Managers**

The Trustees will delegate the day-to-day management of the Scheme's assets to professional investment managers and will not be involved in the buying or selling of investments.

#### **Realising Investments**

The Trustees make disinvestments from the Investment Manager with the assistance of their administrators, BBS, as necessary, to meet the Scheme's cashflow requirements.

## 4 Setting the Strategy

**Overall Target Asset Allocation** The Target Asset Allocation for the Scheme is as follows:

Asset Class	Target Asset Allocation
Long-dated corporate bonds	100%
<b>Total</b>	<b>100%</b>

**Investment Managers** The Trustees entered into a contract with Legal & General Investment Management (LGIM) in September 2007. LGIM undertakes day-to-day investment management of the Scheme's assets.

LGIM are authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000.

**Funds Used** The Trustees use the LGIM Active Corporate Bond – Over 10 Year – Fund.

**Performance Benchmarks and Objectives** The LGIM Active Corporate Bond – Over 10 Year – Fund is an actively managed fund, with an objective to outperform a specified market benchmark. Its objective is summarised below:

Fund	Benchmark	Performance Objective
LGIM Active Corporate Bond – Over 10 Year – Fund	iBoxx Sterling Non-Gilt Over 10 Year Index	To outperform the benchmark by 0.75% p.a. (gross of fees) over rolling three year periods

**Investment Management Charges** The annual management charges for the LGIM corporate bond fund is 0.20% p.a.

In addition, LGIM make a flat administration charge of £1,500 per annum.

The flat administration charge will reduce to £1,000 per annum once the assets held with LGIM exceed £10,000,000.

**Employer Related Investment** Neither the Trustees nor LGIM directly hold any employer related investments.

**Additional Voluntary Contributions (AVCs)** The Scheme holds AVCs separately from the assets backing defined benefits via individual insurance policies with the Prudential Assurance Company.

The Trustees review the investment arrangements of AVCs held by members from time to time.

## 5 Expected Returns and Risks

<b>Overall Return Target</b>	<p>The Trustees' objective is for the Scheme's assets to produce a return at least in line with the growth in the value of its liabilities calculated under the SFO.</p> <p>The Trustees expect the assets to produce a return in line with the growth in the value of the funded Technical Provisions over the medium to longer term.</p>
<b>Expected Returns</b>	<p>Over the long-term, the Trustees expect to achieve a long-term return in excess of the yield available on a comparable portfolio of UK gilts to compensate for the additional risk associated with investing in a diversified portfolio of corporate bonds.</p>
<b>Consideration of Risks</b>	<p>The Trustees have considered the various risks that the Scheme faces, including market risk, interest rate risk, inflation risk, default risk, concentration risk, manager risk and currency risk, and consider that the Target Asset Allocation strikes a reasonable balance between risk mitigation and seeking an appropriate level of return, taking account of the Principal's Employer's covenant and the long-term nature of the Scheme.</p>
<b>Risk Relative to the Value of the Scheme's Key Funding Measure</b>	<p>The Target Asset Allocation has been determined with due regard to the characteristics of the Scheme's Technical Provisions.</p> <p>The calculation of the Technical Provisions uses assumptions for future investment returns and price inflation expectations that are based upon market values of financial securities such as fixed interest government bonds, index-linked government bonds and corporate bonds. This means that the Technical Provisions are sensitive to changes in the price of these assets as market conditions vary, and can have a volatile value.</p> <p>The Trustees accept that their investment strategy may result in volatility in the Scheme's funding position. Furthermore, the Trustees also accept that there is a risk that the assets will not achieve the rates of investment return assumed in the calculation of the Scheme's Technical Provisions.</p>
<b>Concentration of Risk and Diversification</b>	<p>To reduce the risk of concentration within the portfolio, the Trustees will monitor the overall mix of bonds in the LGIM Active Corporate Bond – Over 10 Year – Fund with their investment adviser, BBS. The Trustees believe that the current mix of bonds within the LGIM Active Corporate Bond – Over 10 Year – Fund provides an appropriate level of diversification.</p>
<b>Manager Controls and Custodianship</b>	<p>The day-to-day activities that LGIM carries out for the Trustees are subject to regular internal reviews and external audits by independent auditors to ensure that operating procedures and risk controls remain appropriate.</p> <p>Safe-keeping of the Scheme's assets held with LGIM is performed by custodians appointed by them.</p>

**Manager Security** The Trustees have considered the financial security of the Scheme's holdings with LGIM, allowing for its status as a reputable regulated firm, and consider the associated protection offered to be reasonable and appropriate.

**Monitoring and Management of Risks** The Trustees will monitor the investment and funding risks faced by the Scheme with the assistance of their investment advisers and the Scheme Actuary at least every three years. The Trustees will consider the appropriateness of implementing additional risk mitigation strategies as part of such reviews.

In addition, the Trustees will review wider operational risks as part of maintaining their risk register.

## 6 Responsible Investing, Governance and Engagement

<b>Financially Material Considerations Related to Environmental, Social and Governance Considerations</b>	<p>The Trustees recognise that Environmental, Social and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets.</p> <p>The Trustees delegate responsibility for day-to-day decisions on the selection of investments to the Investment Manager. The Trustees have an expectation that the Investment Manager will consider ESG issues in selecting investments, or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets.</p> <p>The Trustees do not currently impose any specific restrictions on the Investment Manager with regard to ESG issues, but will review this position from time to time. The Trustees receive information from the Investment Manager on its approach to selecting investments and engaging with issuers with reference to ESG issues.</p> <p>With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustees take the view that this falls within their general approach to ESG issues. The Trustees regard the potential impact of climate change on the Scheme's assets as a longer term risk and likely to be less material in the context of the short to medium term development of the Scheme's funding position than other risks. The Trustees will continue to monitor market developments in this area with its investment adviser.</p>
<b>Views of Members and Beneficiaries</b>	<p>The Scheme is comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues. The Trustees therefore do not explicitly seek to reflect any specific views through the implementation of the investment strategy.</p>
<b>Engagement and Use of Rights</b>	<p>Responsibility for engagement with the issuers of the Scheme's underlying investment holdings and the use of rights is delegated to the Investment Manager. The Trustees can therefore only influence engagement and voting policy indirectly.</p> <p>The Investment Manager provides, on request, information to the Trustees on its actions in relation to engagement and use of rights. The Trustees are therefore aware of the policies adopted by the Investment Manager.</p>
<b>Capital Structure of Investee Companies</b>	<p>Responsibility for monitoring the make up and development of the capital structure of investee companies is delegated to the Investment Manager. The Trustees expect the extent to which the Investment Manager monitors capital structure to be appropriate to the nature of the mandate.</p>

<b>Conflicts of Interest</b>	<p>The Trustees maintain a separate conflicts of interest policy and register.</p> <p>Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Manager, while also setting out a process for their management.</p>
<b>Incentivisation of Investment Managers</b>	<p>The Investment Manager is primarily remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund.</p> <p>The Trustees do not directly incentivise the Investment Manager to align the approach it adopts for a particular fund with the Trustees' policies and objectives. Instead, the Investment Manager and the fund is selected so that, in aggregate, the returns produced are expected to meet the Trustees' objectives.</p> <p>Neither do the Trustees directly incentivise the Investment Manager to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issues to improve their performance. The Trustees expect such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Scheme.</p>



## 7 Review and Monitoring

<b>Frequency of Review</b>	The Trustees will review this Statement at least every three years or if there is a significant change in the Scheme's circumstances or the regulations that govern pension scheme investment.
<b>Monitoring the Investment Strategy and Manager</b>	<p>The Trustees employ BBS to assist them in monitoring the performance of the Scheme's investment strategy and LGIM.</p> <p>The Trustees receive quarterly reports from LGIM and meet with their representatives periodically to review its investment performance and processes.</p> <p>The Trustees and BBS will monitor LGIM's performance against its stated performance objectives.</p> <p>The appropriateness of the Investment Manager's remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise a manager has had in meeting its objectives, both financial and non-financial.</p>
<b>Portfolio Turnover Costs</b>	<p>The Trustees expects the Investment Manager to change underlying holdings only to an extent required to meet its investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions.</p> <p>The Trustees therefore do not set a specific portfolio turnover target for their strategy or the underlying funds.</p> <p>The Investment Manager provides information on portfolio turnover and associated costs to the Trustees so that this can be monitored, as appropriate.</p>
<b>Review of Investment Manager and AVC providers</b>	The Trustees will consider on a regular basis whether or not LGIM and the AVC provider remain appropriate to continue to manage the Scheme's investments and AVCs.
<b>Information from Investment Manager</b>	LGIM will supply the Trustees with sufficient information each quarter to enable them to monitor financial and non-financial performance.

Signed



Name

G. A. OSBORNE.

Date

24/9/19.

On behalf of the Trustees of the Holt JCB Pension and Life Assurance Plan