

Holt JCB Pension & Life Assurance Plan

Statement of Investment Principles – Implementation Statement

The purpose of this Statement is to provide information which is required to be disclosed in accordance with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as subsequently amended, including amendments to transpose the EU Shareholder Rights Directive (SRD II) into UK law. In particular, it confirms how the investment principles, objectives and policies of the Trustees' Statement of Investment Principles (SIP) dated 24 September 2019 have been implemented.

It also includes the Trustees' voting and engagement policies, as well as details of any review of the SIP during the year, subsequent changes made and the reasons for the changes (if any). A description of the voting behaviour during the year, either by or on behalf of the Trustees, or if a proxy voter was used, is also included within this Statement.

This Statement covers the period 6 April 2022 to 5 April 2023.

Investment Objectives of the Plan

The Trustees' objectives for setting the investment strategy of the Plan have been set broadly with regard to the Plan's Statutory Funding Objective set out in the Statement of Funding Principles.

The Trustees' primary objectives are set out on page 2 of the SIP and are as follows:

- To ensure that the assets are of a nature to enable the Trustees to meet the Plan's benefits as they fall due.
- To invest the Plan's assets in an appropriately diverse and liquid range of investments.
- To invest in a way that is consistent with the Plan'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.
- 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 Plan's Technical Provisions.
- Where future opportunities arise to reduce 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 Plan's funding position relative to its liabilities calculated under the SFO.

The Trustees appreciate that these objectives are not necessarily mutually exclusive.

The Trustees also recognise that it is currently necessary to accept some risk in the investment strategy to achieve the long-term funding objective.

Review of the SIP

The Trustees did not review the SIP during the year. The SIP was last reviewed in September 2019, following which the SIP was updated to take account of the latest investment disclosure regulations.

The Trustees' policies on financially and non-financially material considerations, as well as engagement and voting activities, were not updated in the SIP in force during the year.

Investment managers and funds in use

During the year, the Trustees' investment strategy was as shown in the table below, which reflects the Trustees SIP.

Asset Class	Fund	Target Asset Allocation
Corporate bonds	LGIM Active Corporate Bond – Over 10 Year – Fund	100%
Total		100%

Investment Governance

The Trustees are responsible for making investment decisions, and seek advice as appropriate from Broadstone Corporate Benefits Limited ('Broadstone'), as the Trustees' investment consultant.

The Trustees do not actively obtain views of the membership of the Plan to help form their policies set out in the SIP as the Trustees' primary objective is to meet the benefits of the Plan as they fall due, and the current investment strategy in place is intended to meet this objective. In addition, the Trustees note that the Plan is comprised of a diverse membership, which the Trustees expect to hold a broad range of views on ethical, political, social, environmental, and quality of life issues.

The Trustees have put in place strategic objectives for Broadstone, as the Trustees' investment consultant, as required by the Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022, which were reviewed by the Trustees on 15 December 2022. These objectives cover demonstration of adding value, delivery of specialist investment consultancy services, proactivity of investment consultancy advice, support with scheme management, compliance and service standards.

Trustees' Policies

The table below sets out how, and the extent to which, the relevant policies in the Plan's SIP have been followed:

Requirement	Policy	Implementation of Policy
Selection of Investments	<p>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.</p> <p>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.</p> <p>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 Plan's investments.</p> <p>The Trustees may hold insurance policies such as deferred or immediate annuities which provide income to the Plan, matching part or all of the future liabilities due from it.</p> <p>The Trustees may hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Plan.</p>	No deviation from this policy over the year to 5 April 2023.

Balance of Investments	<p>The Trustees will set a Target Asset Allocation from time to time, determined with the intention of meeting their investment objectives.</p> <p>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 Plan's liabilities or relevant regulations governing pension scheme investment.</p>	No deviation from this policy over the year to 5 April 2023.
Delegation to Investment Managers	The Trustees will delegate the day-to-day management of the Plan's assets to professional investment managers and will not be involved in the buying or selling of investments.	No deviation from this policy over the year to 5 April 2023.
Realising Investments	The Trustees make disinvestments from the Investment Manager with the assistance of their administrators, Broadstone, as necessary, to meet the Plan's cashflow requirements.	No deviation from this policy over the year to 5 April 2023.
Performance Benchmarks and Objectives	The corporate bond fund used is actively managed and the investment manager has been set Performance Objectives to achieve returns in line with, or in excess of, a benchmark.	The performance benchmarks and objectives were reviewed on a quarterly basis over the year to 5 April 2023. The Trustees receive a quarterly report from LGIM, and Broadstone will raise any concerns (if required) and comments on the fund at each Trustees' meeting.
Investment Management Charges	The investment management charges of the funds used are set out on page 4 of the SIP.	No deviation from this policy over the year to 5 April 2023.
Financially and Non-Financially Material Considerations	The Trustees' policy on financially and non-financially material considerations is set out from page 7 of the SIP and in full below.	No deviation from this policy over the year to 5 April 2023 (see below).
Engagement and Voting Rights	<p>Responsibility for engagement with the issuers of the Plan's underlying investment holdings and the use of voting 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 voting rights. The Trustees are therefore aware of the policies adopted by the Investment Manager.</p>	No deviation from this policy over the year to 5 April 2023 (see below).
Additional Voluntary Contributions (AVCs)	The Plan holds AVCs separately from the assets, using a policy provided by the Prudential Assurance Company.	No deviation from this policy over the year to 5 April 2023.

Financially and non-financially material considerations

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 Plan invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets.

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 Plan's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets. The Trustees' views on how ESG issues are taken account of in each asset class used is set out below.

Asset Class	Active/Passive	Trustees' views
Corporate bonds	Active	The Trustees expect the investment manager to take financially material ESG factors into account, given the active management style of the fund and the ability of the manager to use its discretion to generate higher risk adjusted returns. The Trustees also expect their investment manager to engage with the underlying investee companies, where possible, although they appreciate that fixed income assets do not typically attract voting rights.

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.

With regard to the specific risk to the performance of the Plan'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 Plan'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 Plan's funding position than other risks. The Trustees will continue to monitor market developments in this area with their investment adviser.

Voting rights and engagement activities

The Trustees currently invest in a pooled investment fund with LGIM, and they acknowledge that this limits their ability to directly influence the investment manager.

The Trustees have employed Broadstone to assist them in monitoring the voting and engagement activities of their investment manager. To complement this monitoring, the Trustees receive stewardship and governance reports from LGIM on a quarterly basis.

Within the current investment arrangements, none of the funds contain equity holdings. Therefore none of the Plan's funds have voting rights attached.

Engagement activities

The Trustees have also delegated engagement activities to LGIM. The notable engagement activities of LGIM are provided below:

- **LGIM's** Investment Stewardship and Climate Solutions teams spoke directly with the management of Capricorn, a smaller-scale oil and gas company who announced their intention to merge with other energy companies in 2022, which had raised some concerns about the company's governance and decision-making process. LGIM voiced their concerns about the first proposed transaction to African-based Tullow Oil, as it did not seem to advance the energy transition strategy for Capricorn's

shareholders, in light of the increased exposure to oil prices and geographical risks. Additionally, LGIM believed that such a merger would have resulted in increased financial leverage and dramatically elevate climate transition risks. In further conversations with Capricorn, LGIM asked detailed questions about the process they had gone through in terms of deciding on this merger and whether other alternatives were considered. Nevertheless, despite mounting opposition from LGIM and other shareholders, Capricorn and Tullow initially proceeded with the merger before a decision was taken by Capricorn to abandon it, citing concerns about market conditions and external factors as the reason.

A second merger proposal with NewMed, an Israeli-based natural gas producer, was met with rising suspicion and even less support than the first. LGIM met again with Capricorn to voice their concerns. As a result of these unpopular proposals, Palliser Capital, a key shareholder of Capricorn, called an Extraordinary General Meeting in January 2023 for shareholders to vote on a complete overhaul of the Capricorn Board of Directors.

The Trustees also consider an investment manager's policies on stewardship and engagement when selecting and reviewing investment managers.

Monitoring of Investment Arrangements

In addition to any reviews of investment managers or approaches, and direct engagement with investment managers (as detailed above), the Trustees receive performance reports on a quarterly basis from LGIM to ensure the investment objectives set out in their SIP are being met.

Signed: G A Osborne

Date: 17 October 2023

On behalf of the Holt JCB Pension & Life Assurance Plan