XPS Investment

Joseph Holt Staff Pension Scheme

Statement of Investment Principles

December 2022

Statement of Investment Principles

The Trustees of the Joseph Holt Staff Pension Scheme ("the Scheme") have prepared this Statement of Investment Principles ("the SIP") in accordance with the Pensions Act 1995[1] ("the Act") as amended and the Occupational Pension Scheme (Investment) Regulations 2005 as well as the principles recommended by the Myners Code.

This SIP describes the investment policy being pursued by the Trustees of the Scheme.

It supersedes any previous SIP and reflects the investment policy agreed by the Trustees in respect of assets covering Defined Benefit liabilities and AVCs within the Scheme only.

This SIP will be reviewed at least every three years or immediately after any significant change in investment policy.

Before preparing this SIP the Trustees have:

- Considered any written strategic advice from the Scheme's Investment Consultant, who is suitably qualified through ability and experience and has appropriate knowledge.
- Consulted the sponsoring employer.

Choosing investments

The Trustees set the investment strategy and investment policies for the Scheme.

The Trustees have considered the Scheme's liabilities and strength of covenant for the sponsoring employer when setting the investment strategy and policies.

Given the Scheme's funding position, the Trustees have decided to invest in a buy-in policy with Aviva (the "Insurance Provider"). Under this policy Aviva will meet the Trustees' obligations in respect of the Scheme's benefits.

In accordance with the Financial Services and Markets Act 2000, the Trustees set general investment policy but delegate responsibility for the selection of the specific securities and any financial instruments supporting the policy held by the Scheme to the Insurance Provider.

In accordance with the Regulations, this SIP will be reviewed at least every three years or on a significant change of investment policy.

Declaration and confirmation of advice

The Trustees confirm that this SIP reflects the Investment Strategy they have decided to implement. The Trustees acknowledge that it is their responsibility, with guidance from their advisers, to ensure the assets of the Scheme are invested in accordance with these principles.

Before a SIP, as required by the Pensions Act 1995, is prepared or revised by the trustees of a pension scheme, they must have obtained and considered the written advice of a person who is reasonably believed by them to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes.

The Investment Adviser hereby confirms to the Trustees that they have the appropriate knowledge and experience to give the advice required by the Act and has provided the necessary written advice to the Trustees.

[1] As amended 12 July 2022

Signed For and on behalf of the Trustees of the Scheme

14 December 2022

Date

Scheme governance

The Trustees are responsible for the governance and investment of the Scheme's assets. The Trustees have contracted with Aviva to match the Scheme's future cashflows.

The Trustees have decided not to appoint an investment committee to delegate investment matters to.

Trustees

The Trustees' responsibilities include (but are not limited to):

- The content and the reviewing of this SIP.
- Monitoring the Insurance Provider both with respect to its cashflow obligation and to its adherence to the PRA's solvency regime.
- Consulting with the Scheme's sponsoring employer when reviewing investment policy issues.
- Monitoring compliance of the investment arrangements with this SIP on an ongoing basis.

Investment Adviser

The Investment Adviser's responsibilities include (but are not limited to):

- Participating with the Trustees in regular reviews of this SIP, and in the review of investment related issues as described in this SIP.
- Ensuring the Trustees remain complaint with all legal and regulatory requirements.
- Helping the Trustees ensure there is sufficiently liquidity.
- Undertaking project work as required.

Insurance Provider

The Insurance Provider's responsibilities include (but are not limited to):

- Investing in assets suitable for pension schemes, ensuring it meets its obligations under the contract and to comply with the PRA solvency regime.
- Updating the Trustees and their advisors with all the necessary reporting and ongoing information.
- Reporting in person at a meeting of the Trustees as requested.

Investment objectives and key considerations

The primary investment objectives of the Trustees are:

- To ensure the Scheme is able to meet the benefit payments promised as they fall due from a combination of investment returns and planned contributions.

Due to its nature the Trustees expect the buy-in policy to ensure benefits are paid in full.

Asset allocation strategy

Selecting investments

Having considered advice from the Investment Adviser, and also having due regard for the objectives, the liabilities of the Scheme, the relative risks of and to the Scheme and the covenant of the sponsoring employer, the Trustees have decided that the investment objectives are best achieved by investing in a buy-in policy with Aviva. The Trustees will use the Scheme's bank account and an institutional cash fund (available through the Mobius Life platform) to hold any additional monies.

In respect of the residual cash and AVC investments, if any changes are required to be made, the Trustees will first consult with the Investment Adviser. For the avoidance of doubt any such change will not in and of itself constitute a change of investment policy requiring a revision to this SIP. The policy of the Trustees is to regularly review the investments over which they retain control and to obtain written advice about them when necessary. When deciding whether or not to make any new investments the Trustees will obtain written advice and consider the extent to which future decisions about those investments should be delegated. The written advice will consider suitability of the investments, the need for diversification and the principles within this Statement. The Investment Adviser will have the knowledge and experience required under Section 36(6) of the Act.

Range of assets and alignment of incentives

Based on the structure set out in the Appendix, the Trustees consider the buy-in policy to be aligned with the Scheme's overall strategic objectives. The Trustees have no direct influence on the range of assets which support the payments due under the policy. The Insurance Provider will invest in an appropriate range of assets in line with the risk profile of their annuity business and the regulatory and capital regime they are required to comply with. Although there is a concentration of assets in the buy-in arrangement, the Trustees deem this concentration appropriate as it closely matches the objective of the Scheme.

Aviva are responsible for making the benefit payments in line with the contract they hold with the Trustees, therefore the investment risk is assumed by Aviva. The Trustees expect that the Scheme's assets with Aviva will be predominantly invested in regulated markets to maximise their security. The Insurance Provider is incentivised to perform in line with expectations for their specific mandate to enable the Insurance Provider to meet all of the benefits insured and comply with regulatory and capital requirements.

Due to this, the Trustees also expect Aviva to make decisions in the long-term interests of the Scheme. This includes engagement with management of the underlying issuers of debt or equity and the exercising of voting rights where it is reasonable and practical to do so. This expectation is based on the belief that such engagement can be expected to help Aviva to mitigate risk and improve long term returns but acknowledges that the Scheme does not have designated assets with Aviva.

The Trustees also expect Aviva to take ESG factors and climate change risks into consideration within their decision making as the Trustees believe these factors could have a material financial impact in the long-term.

Rates of return and fees

The buy-in policy is expected to fully match the members' benefits in full and therefore the expected return is not relevant. The fees charged by Aviva are included within the up-front insurance premium.

Diversification

As Aviva have assumed responsibility for the benefits set out in the contract they hold with the Trustees, they are responsible for the investment strategy. As a result of this the Trustees expect that Aviva will be incentivised to construct a diverse portfolio.

The Scheme is therefore subject to the risk of insolvency of Aviva. Whilst the Trustees have not diversified against this risk, the likelihood of Aviva becoming insolvent has been minimised as far as is practical. For example, Aviva is regulated by the Financial Conduct Authority and the Prudential Regulatory Authority.

Liquidity

As Aviva determine the investment strategy, it is their responsibility to ensure the assets within their portfolio are sufficiently liquid to meet the Scheme's benefits.

The Scheme holds any additional monies in the Trustee bank account an institutional cash fund (available through the Mobius Life platform).

Additional voluntary contributions ("AVCs")

Some members of the Scheme have paid Additional Voluntary Contributions ("AVCs") into the Scheme, which are invested and will be used to increase benefits at retirement, or in the event of death. These facilities are now closed to future contributions. The Trustees selected a range of investment funds to which members were able to pay AVCs.

Assessment of performance

Underlying funds held by Mobius Life

The Trustees hold an institutional cash fund on the Mobius Life Investment Platform ("the Platform Provider"). The Trustees maintains one policy with the Platform Provider. The Platform Provider links the value of the policy to specific funds chosen by the Trustees from time to time, following receipt of advice from the Investment Advisor. The Trustees will monitor the performance of the funds against their stated performance objectives.

The Trustees with assistance from the Investment Adviser, will regularly review the performance of the funds to satisfy itself that the funds remain suitable.

If the Trustees are not satisfied with the performance of the funds it will ask the manager of those funds what steps they intend to take to rectify the situation. If the funds still do not meet the Trustees' requirements, it will look to purchase other funds - potentially with a different manager - after consultation with the Investment Adviser.

Advisers

The Trustees will monitor the advice given by its appointed advisers on a regular basis and will assess their performance on the basis of their ability to explain the expected return on investments, how the investments will help the Trustees meet its investment objectives and the risks that will impact on such return.

Portfolio turnover costs

Given that the Trustees have secured a buy-in policy, the portfolio turnover on the underlying assets and costs is a matter for the Insurance Provider.

Investment manager duration

In accordance with the Act, the Trustees have purchased an insurance policy with the Insurance Provider. The annuity policy is intended to be in place in the long term to meet all of the benefits payable to members.

Performance and remuneration reporting

The Trustees have already incurred the expenses of implementing the buy-in policy and there are not expected to be explicit ongoing management fees in respect of the policy.

As Aviva have assumed responsibility for the investment strategy and risk, the Trustees expect them to monitor performance of the underlying assets in line with their legal and regulatory duties as a UK insurance company. On an ad-hoc basis, XPS will bring to the attention any issues the Trustees should be aware of regarding the Insurance Provider.

Risks

The Trustees recognise a number of risks involved in the investment of assets of the Scheme, noting that these are all largely mitigated directly through the buy-in policy.

Key risks for the Scheme:

- Counterparty risk – the risk that a counterparty fails whilst owing money on a derivative contract is measured by reference to the exposure to such counterparties and is managed by ensuring the Investment Manager chooses counterparties with a strong credit rating.
- Sponsor risk – the risk that the sponsoring employer ceases to exist or otherwise is unable to fully support the Scheme is measured by reference to the strength of the Firm covenant and is managed by ensuring the asset allocation strategy takes into account the level of sponsor risk.
- Data risk – There is a risk that the data provided to the Insurance Provider does note precisely match the membership profile resulting in differences between the insured benefits and the Plan's actual benefits.

The following risks are borne by the Insurance Provider:

- Interest rate risk
- Inflation risk
- Diversification risk
- Liquidity risk
- Market risk
- Organisational risk
- Currency risk
- Credit risk

The Trustees will keep these risks under regular review.

Statutory funding requirement

The Trustees will obtain and consider proper advice on the question of whether the investments are satisfactory having regard to both the investment objectives and the requirement to meet statutory funding requirements. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation every three years.

The Trustees will consider with its appointed advisers whether the results of these actuarial valuations suggest that any change to the investment strategy is necessary to ensure continued compliance with the statutory funding requirement. As the Scheme has invested in a buy-in policy, which is expected to meet the benefits in full, the Trustees do not expect to be required to make any changes.

Other issues

Corporate governance

The Trustees have considered corporate governance issues and have agreed that they will rely on the policy of the Platform Provider for the funds which remain invested on the platform. The Platform Provider carries out ongoing due diligence on all fund links as part of its overall governance responsibilities. The Trustees have chosen to utilise the Platform Provider, in part, due to the reduction in corporate governance requirements. The Trustees will keep this position under review.

Environmental, social and governance issues

The Trustees have considered their approach to environmental, social and corporate governance ("ESG") risks and they believe there can be financially material risks relating to ESG. Given the buy-in, Aviva will be responsible for the ongoing monitoring and management of ESG risks . The Trustees expect Aviva to consider ESG risks within their decision-making, recognising that how they do this will be dependent on the characteristics of the asset classes in which they invest.

The Trustees' policy is that non-financial matters should not be taken into account in the selection, retention and realisation of investments.

Voting rights

As the Scheme invests with an Insurance Provider in a buy-in policy, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the Insurance Provider invests. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the assets underlying the buy-in policy to the Insurance Provider, noting that only a small proportion of the underlying assets are likely to have voting rights.

Member views are not explicitly sought or taken into account in the selection, retention and realisation of investments.

Appendix – Benchmark asset allocation

Target asset allocation

Having considered advice from the Advisers, and also having due regard for the objectives, the liabilities of the Scheme together with their expected timing, the risks of and to the Scheme and the covenant of the sponsoring employer, the Trustees have decided upon the following benchmark allocation:

Insurance Company	Fund	%
Aviva	Bulk annuity buy-in policy	100

The Trustees have already incurred the expenses of implementing the buy-in policy and there are not expected to be explicit ongoing management fees in respect of the policy.

The Scheme will hold any additional monies across the Trustee bank account and an institutional cash fund (available through the Mobius Life platform).

In addition to the above assets the Trustees hold insurance policies with Canada Life and Sun Life Financial of Canada in respect of the benefits of a small number of pensioners.