

# THE GEO HOULTON & SONS (HOLDINGS) LTD PENSION AND ASSURANCE SCHEME

## STATEMENT OF INVESTMENT PRINCIPLES

14 June 2023

### 1 Introduction

This Statement sets out the principles governing the Trustees' decisions in relation to the investment of the Geo Houlton & Sons (Holdings) Ltd Pension and Assurance Scheme (the Scheme assets). This Statement has been prepared by the Trustees of the Scheme to comply with section 35 of the Pensions Act 1995 (the Act) as amended. The Trustees have considered this Statement and have resolved to adopt it.

- 1.1 In finalising this Statement, the Trustees have taken advice from their appointed Investment Advisers, who have confirmed that they have the appropriate knowledge and experience to give advice required by section 35(5)(a) of the Act. The Trustees have also taken account of the projected cash flows within the Scheme from the Scheme Administrators and the liability and risk profiles from the Scheme Actuary.
- 1.2 The Trustees have consulted the Principal Employer under the Scheme, and agreed the approach to be taken as set out in this Statement.
- 1.3 The Scheme provides final salary benefits for members and their dependants in accordance with its Trust Deed and Rules (the Rules).
- 1.4 This Statement is consistent with the Trustees' investment powers, as set out in clauses 14.10, 14.11, 14.12 and 14.19 of the Rules and the Trustees will refer to the Rules for any clarification of their investment powers. Neither this Statement nor the Rules restrict the Trustees' investment powers by requiring the consent of the Principal Employer.
- 1.5 The Trustees do not themselves conduct any day-to-day management of any of the Scheme's investments. Such management is delegated to appropriately qualified investment advisers and fund managers.

### 2 Selecting Investment Policy

- 2.1 The Trustees have, and will impose on any fund manager appointed by them, an obligation to have regard to the need for diversification of investments, in so far as this is appropriate to the circumstances of the Scheme.
- 2.2 Before investing in any manner the Trustees will obtain and consider written advice from their appointed Investment Adviser and/or their appointed Fund Managers, as appropriate, as to the suitability of the investment and its appropriateness, in accordance with this Statement.
- 2.3 The Trustees may from time to time capture part of the growth in the portfolio where it is thought appropriate to (i) increase the flexibility and/or liquidity or (ii) lower the risk element of the portfolio.

### 3 Governance

3.1 The Trustees of the Scheme are responsible for the investment of the Scheme assets. The Trustees will occasionally make some decisions themselves but will delegate most decisions to their professional advisers. When deciding what action to take themselves and which to delegate, the Trustees will take into account whether they have the appropriate knowledge and expertise in order to make an informed decision. The Trustees have established the following decision-making structure:

<p><b>Trustees</b></p> <ul style="list-style-type: none"> <li>• Select a professional and suitably qualified investment adviser who, together with the Trustees, will then select and monitor the underlying securities and funds/investment managers</li> <li>• Set structures and processes for carrying out their role</li> <li>• Seek advice regarding the selection and monitoring of the Scheme asset allocation</li> <li>• Seek advice regarding day to day decisions relevant to the operation of the Scheme's investment strategy</li> <li>• Consider new investment ideas and approaches with some emphasis on property</li> </ul>	
<p><b>Investment Adviser</b></p> <ul style="list-style-type: none"> <li>• Advises on all aspects of the investment of the Scheme assets, including implementation but excluding direct property holdings</li> <li>• Advises on this Statement</li> <li>• Can provide required training to the Trustees</li> <li>• Advise Trustees on suitability of their benchmark where appropriate</li> </ul>	<p><b>Fund Managers</b></p> <ul style="list-style-type: none"> <li>• The adviser will endeavour to ensure that the fund managers operate within the terms of this Statement and that their investment objectives/strategy remain as stated for the fund/funds selected</li> <li>• Select the holdings with regard to suitability and diversification appropriate to the fund's stated objectives</li> </ul>

**4 Compliance with the Statutory Funding Objective (SFO)**

4.1 The Trustees maintain a Statement of Funding Principles which sets out their policy for ensuring that the SFO is met.

4.2 The general funding policy is to seek to establish and maintain the SFO funding level at 100% or above.

4.3 Other considerations regarding funding are as follows:

- a to give consideration to altering the investment strategy, should the Trustees be advised, at a future stage, that not to do so might involve an unacceptably high risk that the SFO funding level might be unstable and adversely threatened;
- b to invest the assets such that the risk of deterioration of the SFO funding level to below 100% is balanced against the risk of not achieving the other objectives set out in this Statement and the Statement of Funding Principles; and
- c to maintain a policy of paying pensions from the Scheme although the Trustees do have the discretion to secure annuities in specific situations.

## 5 Types of investments to be held

- 5.1 The Scheme's assets totalled approximately £8 million as at 30 April 2023 excluding annuities held in the Trustees' name in respect of insured pensioners. The Scheme is closed to new members and existing members do not have any future accrual. Members' benefits are partially linked to CPI prior to retirement and RPI once in payment.

On retirement the members pension entitlement is paid by the Scheme and not secured through the purchase of an annuity with an insurance company although the Trustees have the discretion to secure annuities.

- 5.2 The liability profile of the Scheme suggests that the longer term investment strategy to reflect this liability profile would be to invest in the following proportions (excluding insured pensioners):

- a Equities and Property (or similar types of assets) approximately 35% reducing as the membership ages.
- b Cash and bonds (or similar types of assets) approximately 60%.

The cash and bonds holding is to provide liquidity and reduce volatility in general and specifically in relation to members who are within 3 years of retirement.

- 5.3 To take advantage of wider investment opportunities in the UK and overseas and to allow for temporary anomalies in investment markets, the tactical asset allocation will be as follows (expressed as a percentage of the market value of the total assets including cash at bank and generally in accordance with the broad parameters set out in 5.2 above):

a	UK Equities	0% to 25%
b	Global equities	0% to 25%
c	UK bonds	50% to 75%
d	Overseas bonds	0% to 20%
e	Property	0% to 5%
f	Cash	0% to 15%

- 5.4 The Trustees have confirmed that for the time being, other than for reasons of portfolio insurance to help reduce volatility, there will be no direct investment in any of the following:

- a currency hedging
- b other hedge funds
- c venture capital
- d other high risk instruments such as derivatives

- 5.5 Because of the nature of the business and expertise of the Trustees, direct investments in property which are sound, profitable and suitable investments for such a scheme, are to be permitted, to the extent that the total investment in the property sector does not exceed the maximum tactical allocation above. The Trustees will consider such opportunities on their merits, including liquidity, as and when they become available.

- 5.6 At the time of purchase there will be no intentional investment in unquoted companies or other illiquid assets.

- 5.7 There will be no self-investment in the Principal Employer or any of its subsidiaries.

- 5.8 Where the Investment Adviser believes it would be advantageous to invest outside the above tactical ranges, they will not do so without agreement from the Trustees after submitting a written report outlining the reasons for the change.

## 6 Diversification of investments

- 6.1 In order to avoid undue concentration in any particular type or sector of investment, the Trustees will impose, on any fund manager appointed by them, such requirements to diversify and such restrictions, as they deem to be appropriate.

- 6.2 In particular the Investment Adviser is required to advise the Trustees whenever there is a concentration of investments which exceeds the following limits (by market value of the total assets including cash at bank), at the point that they become aware of it:

- a 5% in any individual equity
- b 25% in any separate sector of the FTSE All-Share Index
- c 30% in cash
- d 10% in any particular country outside the UK with the exception of the US
- e 20% in any single property

## 7 Risk

- 7.1 The Trustees pay close regard to the risks that may arise through a mismatch between the Scheme's assets and its liabilities, and to the risk that may arise from the lack of diversification of investments. They believe that the investment policies to be followed by their Fund Managers do have adequate regard to the need to diversify within each asset class as well as in terms of stock selection.

Under the Pensions Act 2004 the Trustees must now state their policy on the ways in which risks are to be measured. These are set out below.

- a **Solvency risk and mis-matching risk:**  
Are measured through a qualitative and quantitative assessment of the expected development of the liabilities relative to the current and alternative policies.  
Are managed through selecting a scheme-specific strategic asset allocation with an appropriate level of risk.
- b **Manager risk:**  
Is measured by the expected deviation of the prospective risk and return, asset out in the managers' objectives, relative to the investment policy.  
Is managed by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process.
- c **Liquidity risk:**  
Is measured by the level of cash flow required by the scheme over a specific period.  
Is managed by the Scheme's administrators assessing the level of cash held in order to limit the impact of the cash flow requirements on the investment policy.
- d **Political risk:**  
Is measured by the level of concentration of any one market leading to the risk of adverse influence on investment values arising from political intervention.  
Is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.
- e **Corporate governance risk:**

Is assessed by looking at the fund manager's policy towards corporate governance.  
Is managed by taking such policies into account when selecting managers.

**f Sponsor risk:**

Is measured by assessing the level of ability and willingness of the sponsor to support the continuation of the Scheme.

Is managed through the Scheme's Funding Policy.

**8 Investment objectives**

8.1 The primary investment objective of the Scheme is to ensure that the existing assets together with possible future employer contributions will be sufficient to provide for the benefits as they fall due.

8.2 It is the Trustees' intention to follow a long term investment strategy to achieve the following:

a to secure the members' accrued benefits

b a stable long-term funding level

8.3 The fund managers have self imposed targets which are endorsed by the Trustees. The Trustees have elected to measure the performance against the median return within the peer/sector group.

8.4 The objective is to achieve a real rate of return on the assets after expenses equal to or greater than the long-term rate of price inflation (RPI) plus 3.0-3.5% per annum.

8.5 The Trustees will also monitor the following six key objectives:

a Demonstration of value added

b Delivery of specialist services

c Proactivity of advice

d Support with scheme management and compliance

e Relationship and service standards

f Support with additional matters arising

**9 Realisation of investments**

9.1 Subject to any cash requirements of the Scheme to meet benefit payments, the realisation of investments is delegated to the appointed investment adviser and the selected fund managers as part of their day-to-day management activities.

**10 Socially responsible investment and voting**

10.1 Selection, retention and realisation of the Scheme's investments are delegated to the appointed Investment Advisers. Matters of corporate governance in general and voting in particular are integral parts of that delegation.

10.2 The Trustees believe that their primary duty is to act in the best financial interests of the Scheme beneficiaries.

10.3 The Trustees have considered that, when selecting investments for purchase, retention or sale, social, environmental and ethical considerations may be among the factors that a Fund Manager will take into account in the pursuit of long-term return. However these are not deemed as requisite policies.

**11 Myners principles**

- 11.1 The Trustees note the Myners principles and follow them to the extent that they are relevant to the size of the Scheme, nature of the liabilities and covenant of the Principal Employer. The main investment principles set out in the Myners report are as follows:
- a only those with sufficient expertise should take investment decisions
  - b clear objectives should be set for the investment adviser that are relevant to the circumstances of the Scheme to enable the selection of funds/fund managers
  - c consider all asset classes to reflect the Scheme's own characteristics and not just the average asset allocation amongst other funds
  - d have a clear understanding of transaction costs involved
  - e operate a formal process of performance measurement

**12 Compliance**

- 12.1 This Statement will be reviewed at least every 3 years and copies of the amended Statement will be sent to the appointed Investment Adviser and the Scheme Actuary.
- 12.2 The Investment Adviser and any Fund Manager appointed by the Trustees will be required to report to the Trustees any breach of this Statement as soon as that manager becomes aware of the breach.
- 12.3 The Trustees will require any Fund Manager appointed by them to report via the Investment Adviser at regular intervals (at least half yearly) to the Trustees on that manager's stewardship of the share of the Scheme assets under the Fund Manager's control.
- 12.4 The Trustees will require the Scheme's Investment Adviser to report periodically (at least annually) with an analysis of the assets (including cash at bank) of the Scheme covering the fund profile, composition (asset allocation) and the investment performance of the totality of the Scheme's assets and to make recommendations as appropriate.
- 12.5 The Trustees will review this Statement annually in response to any material changes to any aspects of the Scheme, its liability profile, funding position, the attitude to risk of the Trustees and the Principal Employer and any weakening of the Principal Employer's covenant, which they judge to have a bearing on the stated Principles.
- 12.6 A review of the Scheme's funding position and investment strategy will coincide with the triennial actuarial valuation. However an Annual Trustees' meeting will also assess these matters. Any such review will be based on written, expert investment advice and will be in consultation with the Principal Employer.

Signed:   
 Chairman of the Trustees

Date: 20/6/2023

Signed:   
 On behalf of Geo. Houlton & Sons (Holdings) Limited

Date: 20/6/2023