



The James Jones & Sons Limited Pension Scheme

Statement of Investment Principles – October 2021

1. Introduction

The purpose of this Statement of Investment Principles (“the Statement”) is to record the investment arrangements (and the rationale behind those arrangements) adopted by the Trustees of the James Jones & Sons Limited Pension Scheme (“the Scheme”) in accordance with Section 35 of the Pensions Act 1995 (“the Act”), and subsequent legislation.

In preparing this Statement the Trustees have consulted with the principal employer to the Scheme (James Jones & Sons Limited) and has taken written advice from the Scheme’s Investment Consultant in respect of the Scheme.

The Trustees’ investment responsibilities are governed by the Scheme’s rules: a copy of the rules is available for inspection upon request.

Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Trustees (acting on professional advice) and driven by the investment objectives shown in Section 2 below. The second part, the day to day management of the Scheme’s assets, is delegated to professional investment managers as shown in Section 3, below.

2. Investment Objectives

The Trustees’ overriding objective is to invest the Scheme’s assets in the best interest of the members and other stakeholders and, in the case of a potential conflict of interest, in the sole interest of the members. Within this framework, the Trustees’ primary aim is to ensure all benefits are paid when they fall due.

The Trustees have set secondary objectives as below:

- Given the trading, balance sheet and liquidity strength of the employer, to maintain an investment strategy weighted towards real assets.
- Downside protection through increased exposure to gilts and bonds is not a priority at this time but will be considered as the Scheme matures and moves towards a strong position relative to buyout.
- To ensure the Scheme is sufficiently funded such that it can meet its benefit obligations to the beneficiaries of the Scheme, consistent with the long term assumptions made by the Scheme Actuary in determining the funding of the Scheme’s liabilities.
- To maximise the Scheme’s long term investment return (broadly consistent with the long term assumptions made by the Scheme Actuary in determining the funding of the



Scheme's liabilities) whilst controlling any potentially significant fluctuations in the Scheme's funding position and associated solvency risks.

- To ensure that the Scheme's investment strategy is consistent with any statutory funding requirements imposed by legislation.

3. Investment Strategy

The investment strategy is consistent with the Trustees views on the appropriate balance between aiming to achieve the desired level of return, risk management and funding level volatility, liquidity of the overall assets and cashflow management.

The Trustees aim to hold no more than 60% in any one fund and no less than 5% in cash or bonds.

The Trustees will consider any rebalancing of the asset mix at least annually.

The Scheme's investments are currently split as follows (with values from the latest annual actuarial report (31 December 2020)):

	%
Baillie Gifford Managed Pension Fund	51
Scottish Widows UK Long Dated Corporate Bond Fund	11
Legal & General Multi Asset (formerly Consensus) Fund	37
Trustees' Scheme Account	1
TOTAL	100

To achieve their objectives, the Trustees have agreed the following:

i. Choosing Investments

The Trustees have appointed a number of investment managers (the "Managers") to manage the assets of the Scheme. All the Managers are authorised under the Financial Services and Markets Act 2000 to undertake investment business and have been appointed in accordance with the requirements of Section 47 of the Pensions Act 1995. Managers are required to have regard to the need for diversification of investments, insofar as appropriate to the circumstances of the Scheme.

The Trustees have given each manager specific directions as to asset allocation but the choice of individual investments has been delegated to the managers, subject to their respective benchmarks and asset guidelines. In appointing several investment managers, the Trustees have considered the risk of underperformance of any single investment manager.



In adopting the above approaches, the Trustees are satisfied that the investments of the Scheme are suitably diversified as regards asset class, geographic spread and the number of stocks held.

ii. Kinds of investment to be held

The Scheme may invest in a range of Growth assets and Bond assets. The primary purpose of the Growth assets is to achieve returns in excess of the change in the value of the liabilities, over the long term. The purpose of the Bond assets, are to broadly mirror the change in the value of the liabilities due to changes in long-term interest rates and assets where the return driver is primarily income focused. The combination of these assets is designed to help achieve the return requirements of the Scheme, control the volatility of the funding position and provide cashflow income to help ensure pension benefits are met. The Trustees consider all these classes of investment to be suitable in the circumstances of the Scheme.

iii. Balance between different kinds of investments

Within the design of the overall investment strategy, the Managers hold a mix of investments which reflects their views, relative to their respective benchmarks. Within any major market, a Manager is expected to maintain a diversified portfolio of holdings through direct investment or pooled vehicles.

When selecting and appointing Managers the Trustees consider the proposed choice of asset class holdings and the desire to maintain a diversified portfolio as a contributing factor. Further, the Trustees regularly review the range of investments held by the respective Managers to ensure they remain appropriately balanced in the circumstances of the Scheme and given the level of investment risk that is appropriate at the time.

iv. Investment risk

The Trustees regularly monitor the investment risks the Scheme is exposed to. The Trustees pay close regard to the following risks:

- Risks which may arise through a mismatch between the Scheme's assets and its liabilities, leading to a deterioration in the Scheme's funding position.
- The risk that the appointed investment managers, in the day-to-day management of the assets, will not achieve the rate of investment return expected by the Trustees. The Trustees recognise that the use of an active manager has an increased risk of underperformance relative to a benchmark when compared to a passive (index tracking) manager. However, the Trustees believe that the potential gains from successful active investment management, together with the controls in place with the Investment Managers, make this an acceptable risk within the overall investment strategy.
- Risks which may arise from the lack of diversification of investments. The Trustees believe that the asset allocation policy in place provides an adequately diversified



distribution of assets. Agreements with the Investment Manager also have regard to the need to diversify within each class of assets in term of stock selection.

- Risks in holding an over concentration of assets that cannot easily be sold should the need arise. Agreements with the Investment Managers contain a number of investment restrictions designed to limit the Scheme's exposure to any individual asset class, market or security.
- The risk associated with the financial strength of the employer and changes in its financial strength.

To manage risk, the following measures are taken:

- The documents governing the investment managers include a number of guidelines which are designed to ensure that only suitable investments are held by the Scheme. The investment managers are not authorised to invest in asset classes outside of their mandate without the Trustees' prior consent.
- Arrangements are in place to monitor the Scheme's investments to help the Trustees check that nothing has occurred that would bring into question the continuing suitability of the current investments. To facilitate this, the Trustees receive regular reports from the Managers.
- The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled vehicles.

Should there be a material change in the Scheme's circumstances, the Trustees will review whether and to what extent the investment arrangements should be altered. However, the Trustees are long term investors and are not looking to change the investment arrangements on a frequent basis.

v. Expected return on investments

Over the long term, the overall level of investment returns is expected to exceed the rate of return assumed in the funding approach adopted for the Scheme.

vi. Realisation of investments

The Trustees regularly assesses the liquidity profile of the assets to ensure that the overall position is appropriate for the Scheme's needs.

vii. Rebalancing

The Trustees monitor the allocation between the appointed managers and between asset classes and will rebalance the portfolio as and when necessary.



4. Additional Voluntary Contributions (“AVCs”)

The Trustees may, from time to time, hold insurance policies or other assets, which are earmarked for the benefit of certain members. An example of these would be assets secured by AVCs.

5. Responsible Investment and Corporate Governance

i. Financially material considerations and Stewardship

The Trustees believe that good stewardship and environmental, social and governance (“ESG”) issues may have a material impact on investment risk and returns. The Trustees also recognise that long-term sustainability issues, particularly, but not limited to, climate change, present risks and opportunities that increasingly may require explicit consideration.

The Trustees have given the Managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, including engagement with issuers of debt and equity and other relevant persons about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest and risks, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code.

The Trustees do not monitor or engage directly with issuers or other holders of debt or equity. It expects the Managers to exercise ownership rights and undertake monitoring and engagement in line with the Managers’ general policies on stewardship, as provided to the Trustees from time to time, considering the long-term financial interests of the beneficiaries.

The Trustees consider how ESG, climate change and stewardship is integrated within Mercer’s investment processes and those of the investment managers in the monitoring process.

ii. Investment Restrictions

The Trustees have not set any investment restrictions on the appointed Managers in relation to particular products or activities, but may consider this in future.

iv. Non-Financial matters

The Trustees do not take into account any non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention and realisation of investments.



6. Investment Manager Appointment, Engagement and Monitoring

i. Aligning Manager Appointments with Investment Strategy

In line with previous sections of this SIP, investment managers are appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class the Trustees have appointed them for. The Trustees will consider how ESG and stewardship are integrated into the investment process as well as ensuring fees are competitive within the asset class.

If the investment objective for a particular Manager's fund changes, the Trustees will review the fund appointment to ensure that it remains appropriate and consistent with the wider Trustees' investment objectives.

As the Trustees invest in pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

ii. Incentivising Managers to Consider Long-Term Financial and Non-financial Performance

The Trustees also consider how each Manager embeds ESG into its investment process and how the Manager's responsible investment philosophy aligns with the Trustees' beliefs around responsible investment. This includes the Managers' policy on voting and engagement (where relevant). The Trustees will use this assessment in decisions around selection, retention and realisation of Manager appointments where applicable.

The Trustees meet with the investment managers annually and can challenge decisions made including voting history and engagement activity to ensure the best performance over the medium to long term.

Investment managers are aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustees are dissatisfied, then they will look to replace the manager.

iii. Evaluating Investment Manager Performance and Remuneration

The Trustees receive investment statements from the Managers on a monthly basis, which present asset valuations and performance information over various time periods. The Trustees review absolute performance and in many cases relative performance, either against a suitable index used as a benchmark (where relevant) and/or against the Manager's stated performance target (over the relevant time period).

The Trustees' focus is on long term performance but may put a manager 'on watch' if there are short term performance concerns.

The investment managers are remunerated by way of a fee calculated as a percentage of assets under management.



If a manager is not meeting performance objectives, or their investment objectives for the mandate have changed, the Trustees may ask the manager to review their fees.

iv. Portfolio Turnover Costs

The Trustees do not currently monitor portfolio turnover costs.

The Trustees will continue to monitor industry improvements concerning the reporting of portfolio turnover costs. In future, the Trustees may ask managers to report on portfolio turnover cost. They may assess this by comparing portfolio turnover across the same asset class, on a year-on-year basis for the same manager fund, or relative to the manager's specific portfolio turnover range in the investment guidelines or prospectus.

iv. Manager Turnover

The Trustees are long term investors and are not looking to change the investment arrangements on a frequent basis. There is no set duration for the manager appointments. The Trustees will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;
- The manager appointment is reviewed and the Trustees decide to terminate for a more suitable appointment.

7. Compliance With And Review Of This Statement

The Trustees, the Managers and the Investment Consultant all have duties to perform to ensure compliance with this Statement. The duties of these parties to ensure compliance with this Statement are as follows:

- The **Trustees** will monitor the risks noted in Section 3 of this Statement on an annual basis. The performance of the investment managers will be measured against specific benchmarks and the performance of alternative investment managers.
- The **Trustees** will review this statement, in conjunction with their advisers, at least every three years and, if required, more frequently in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of both the sponsoring employer and the Trustees.
- The **Managers** will prepare regular reports to the Trustees including:
 - o a valuation of all investments held for the Scheme including a record of all transactions undertaken,
 - o performance of the Scheme's assets against their respective benchmarks,



- a review of actions undertaken on behalf of the Scheme regarding areas such as, but not limited to, corporate governance, socially responsible investment and disclosure of transaction costs.
- The **Investment Consultant** will provide appropriate advice to allow the Trustees to review and update this Statement.

For and on behalf of the Trustees of the James Jones & Sons Limited Pension Scheme

Signed:

Steve Roberts

Date:

28/10/21

Print Name:

Steve Roberts