H+H Celcon Pension Fund

Statement of Investment Principles – September 2020

Introduction

The Trustees of the H+H Celcon Pension Fund ("the Fund") have drawn up this Statement of Investment Principles ("the Statement") to comply with the requirements of the Pensions Act 1995, the Pensions Act 2004, the Occupational Pension Funds (Investment) Regulations 2005, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2018 and 2019. The Statement is intended to affirm the investment principles that govern decisions about the Fund's investments. In preparing this Statement the Trustees have consulted H+H Celcon Limited ("the Employer") on the Trustees' investment principles.

Governance

The Trustees make all major strategic decisions including, but not limited to, the Fund's asset allocation and the appointment and termination of investment managers. The process for making investment decisions is as follows:

- Identify appropriate investment objectives
- Agree the level of risk consistent with meeting the objectives and the covenant of the sponsoring employer
- Implement an investment strategy and investment manager structure in line with the level of risk and objectives agreed

When making such decisions, and when appropriate, the Trustees must take professional advice. The Trustees' investment consultants, Capita Employee Solutions Limited ("Capita"), are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience to provide such advice.

Investment Objectives

The Trustees are required to invest the Fund's assets in the best interest of members, and their main objectives with regard to investment policy are:

- To achieve, over the long term, a return on the Fund's assets which is sufficient (in conjuction with the plan's existing contributions) to pay all members' benefits in full.
- Consistent with the assumptions made by the Scheme Actuary in determining the funding of the Fund.
- To ensure that sufficiently liquid assets are available to meet benefit payments as they fall due.
- To consider the interests of the Employer in relation to the size and volatility of the Employer's contribution requirements.

The Trustees understand, following discussions with the Employer, that it is willing to accept a degree of volatility in the Employer's contribution requirements in order to aim to reduce the long-term cost of providing the Fund's benefits.

Risk Management and Measurement

The Trustees are aware of and pay close attention to a range of risks inherent in investing the assets of the Fund. The Trustees believe that the investment strategy provides for adequate diversification both within and across different asset classes. The Trustees further believe that the current investment strategy is appropriate given the Fund's liability profile. The Trustees' policy on risk management is as follows:

- The primary investment risk faced by the Fund arises as a result of a mismatch between the Fund's assets and its liabilities. This is therefore the Trustees' principal focus in setting investment strategy, taking into account the nature and duration of the Fund's liabilities.

- The Trustees recognise that whilst increasing risk would be expected to increase potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Fund's liabilities as well as producing more short-term volatility in the Fund's funding position. The Trustees have taken advice on the matter and (in light of the objectives noted previously) considered the implications of adopting different levels of risk.

- The Trustees recognise the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustees aim to ensure the asset allocation strategy in place results in an adequately diversified portfolio. Due to the size of the Fund's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles.

- The documents governing the managers' appointments include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Fund.

- The Trustees recognise that, where appropriate, the use of active management involves a risk that the assets do not achieve the expected return. However, they believe this risk is outweighed by the potential gains from successful active management, in particular in regions or asset classes where this potential is greater than others. Therefore, the Fund's assets are managed through a mixture of active and passive management which may be adjusted from time to time.

- The safe custody of the Fund's assets is delegated to professional custodians via the use of pooled vehicles.

Should there be a material change in the Fund's circumstances, the Trustees will review whether the current risk profile remains appropriate.

Investment Strategy

Given their investment objectives the Trustees have agreed to the initial strategic asset allocation detailed in the table below, further details are shown in the appendix. The Trustees believe that the investment risk arising from the investment strategy is consistent with the overall agreed level of risk.

Asset Class	Initial Strategic Asset Allocation (%)
Diversified Growth Funds	70.0
Return Seeking Assets:	**70.0**
Liability Driven Investment (LDI)	30.0
Matching Assets:	**30.0**
Total:	**100.0**

Further details on the investment funds can be found in the Appendix.

Any cash flows will be directed towards and taken from the DGFs, in order to move their allocations back towards the proportions relative to one another set out in the table below (33.3:33.3:33.3). The Trustees may decide to change this cash flow policy from time to time, subject to receiving the necessary advice from their investment consultant.

Investments

Fund	Proportion (%)
Legal & General - DGF	23.3
BlackRock – DGF	23.3
BNY Mellon – DGF	23.3
Legal & General - LDI	30.0
TOTAL	**100.0**

Expected Return

The Trustees expect the return on assets to be consistent with the investment objectives and investment strategy outlined above.

The Trustees expect to generate a return, over the long term, of circa 2.1% per annum, net of expenses, above a portfolio of long-dated UK Government bonds – which are considered to change in value in a similar way to the Fund's liability value. This return is a "best estimate" of future returns that has been arrived at given the Fund's longer term asset allocation and in the light of advice from the investment consultant.

The Trustees recognise that performance may deviate significantly from this long term expectation. This "best estimate" will also generally be higher than the estimate used for the actuarial valuation of the Fund's liabilities. For this purpose a more prudent estimate of returns will generally be used, as agreed by the Trustees on the basis of advice from the Fund Actuary.

Platform Provider

The Trustees have appointed Legal & General Investment Management ("the Platform Provider") to manage all of the assets of the Scheme. The Platform Provider is regulated under the Financial Services and Markets Act 2000.

Investment Managers

The Trustees have selected Legal & General Investment Management Limited ("LGIM"), BlackRock Investment Management (UK) Limited ("BlackRock") and BNY Mellon Investment Management ("BNY Mellon") as the appointed Investment Managers ("the Investment Managers"). The assets of the Fund will be held via a single policy with the Platform Provider. The Investment Managers are themselves regulated under the Financial Services and Markets Act 2000.

The Trustees have rolling contracts with their Investment Managers.

The Trustees monitor the performance of their Investment Managers on a quarterly basis. This monitoring is contained in a report provided by their advisors.

The Trustees have set performance objectives, including time periods, consistent with the investment strategy set out in this statement.

Investment Manager Remuneration

The Trustees monitor the remuneration, including incentives, that are paid to their Investment Managers and how they reward their key staff who manage client funds, along with how the pay and incentives motivate employees who manage client funds.

As part of the monitoring that the Trustees carry out on a regular basis, they should ensure that this policy is in line with their investment strategy.

Investment Manager Philosophy and Engagement

The Trustees monitor the Investment Managers' processes for assessing the businesses they invest in, and whether business performance over the medium to long-term involves a holistic look beyond purely accountancy measures. The Trustees consider if the Investment Managers are incentivised to make decisions on a short-term basis or on a medium to long-term basis and whether this coincides with the business assessments. The Trustees are conscious of whether the Investment Managers are incentivised by the agreement with the Trustees to engage with the investee business and to what extent any engagement focuses on improving medium to long-term performance.

Investment Manager Portfolio Costs

The Trustees will monitor costs of buying, selling, lending and borrowing investments and will look to monitor the costs breakdown annually, as long as the Investment Managers provide these costs using the Cost Transparency Initiative template. The Trustees will also ensure that, where appropriate, the Fund's Investment Managers monitor the frequency of transactions and portfolio turnover. If there are any targets then the Trustees will monitor compliance with these targets.

Environmental, Social and Governance ("ESG") Considerations

The Trustees believe that their main duty, reflected in their investment objectives, is to protect the financial interests of the Fund's members. The Trustees believe that ESG considerations are an integral part of this duty.

The Trustees have elected to invest in pooled funds and cannot, therefore, directly influence the ESG policies, including the day-to-day application of voting rights, of the funds in which they invest. However, the Trustees believe that the effective integration of ESG policies, by Investment Managers into their funds' investment philosophies and processes, can contribute to the generation of good investment returns.

The Trustees believe that the effective integration of ESG policies typically involves taking financially material considerations, including but not limited to ESG considerations (including climate change), into account when selecting investee companies. Other non-financial considerations, including members' views, are not taken into account.

Consequently, the Trustees expect the Fund's Investment Managers to have effective ESG policies (including the application of voting rights) in place, and look to discuss the Investment Managers' ESG policies with them when the Investment Managers attend Trustee meetings.

Where the pooled funds are managed on a passive basis, decisions regarding the selection, retention and realisation of investments are only made in order to ensure the efficient tracking of indices, and ESG considerations are not taken into account.

The Trustees will monitor the voting being carried out by investment managers and custodians on their behalf. They will do this by receiving reports from their investment managers which should include details of any significant votes cast and proxy services that have been used.

Employer-Related Investments

The Trustees' policy is not to hold any direct employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Funds (Investment) Regulations 2005.

Fee Structures

The Platform Provider is paid a management fee on the basis of assets under management, which includes the underlying investment managers' management fees. The investment consultant is paid on a fixed fee or time-cost basis – as agreed between the Trustees and Capita.

Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe 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 pension scheme investments.

One behalf of Trustees

Date

For and on behalf of the Trustees of the H+H Celcon Pension Fund

Appendix – Investment Mandates

The Trustees have appointed the Investment Managers to manage the majority of the assets of the Fund via the LGIM Investment Platform. The Investment Managers are regulated under the Financial Services and Markets Act 2000. The Investment Manager mandates are set out below:

Asset Class	Investment Manager	Fund Name	Active / Passive Management	Strategic Allocation %	Control Ranges %
Return Seeking Assets				**70.0**	**+/-5**
Diversified Growth	LGIM	Dynamic Diversified Fund	Active	23.3	+/-3
	BlackRock	Dynamic Diversified Growth Fund	Active	23.3	+/-3
	BNY Mellon	Real Return Fund	Active	23.3	+/-3
Matching Assets				**30.0**	**+/-5**
Liability Driven Investment (LDI)	LGIM	Matching Core Long Fixed Fund	Passive	13.0	+/-3
	LGIM	Matching Core Long Real Fund	Passive	17.0	+/-4
TOTAL				**100.0**	

The Trustees monitor the control ranges shown in the table above on a quarterly basis and use lhem as guidelines; a breach of the control ranges prompts a discussion as to whether the asset allocation should be rebalanced rather than automatic action. Typically, as noted under “Investment Strategy”, any cash flows will be directed towards and taken from the DGFs, in order to move their allocations back towards their target weights.