

## **Kellands (Holdings) Limited Pension & Life Assurance Fund (the “Scheme”)**

### **Statement of Investment Principles (SIP)**

**September 2020**

#### **Introduction**

This document provides details of the investment principles adopted by the Trustee in relation to the Scheme. The sponsoring employer is Kellands (Holdings) Limited. The sponsoring employer has been consulted in the drafting of this document.

This SIP has been drafted in order to demonstrate how the Trustees comply with the requirements of legislation; including Section 35 of the Pension Act 1995, The Occupational Pension Schemes (Investment) Regulations 2005, The Occupational Pension Schemes (Investment) (Amendment) Regulations 2010 and the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018.

The Trustee’s investment responsibilities are governed by the Scheme’s Trust Deed and Rules and this SIP takes full regard of its requirements.

In drafting this SIP, the Trustees also considered the 2001 Myners review of institutional investment and guidance issued by the Pensions Regulator.

The Trustees will review this SIP at least every three years to ensure that it remains accurate and relevant. The SIP will be reviewed and, if necessary, amended more frequently should any material changes be made to the Scheme’s investment arrangements.

A copy of this SIP is available for inspection by Scheme members.

#### **Governance**

The Trustees sets the general investment policy, based on professional advice. The Trustees delegate responsibility for day to day investment decisions to their appointed investment managers. The Trustees ensure that any person to whom such responsibility is delegated is authorised under the Financial Services and Markets Act 2000. A copy of this Statement will be provided to the investment manager.

The Trustees investment policy takes into account the Scheme’s investment objectives and the Scheme’s circumstances. The Trustees are responsible for making strategic investment decisions with the aim of achieving these objectives. The Trustees ensure that this SIP remains appropriate for the Scheme’s liabilities and circumstances, given the strength of the support provided by the sponsoring employer.

The Trustees are responsible for appointing investment managers and investment advisers and will monitor the investment returns.

The investment managers will have regard to this SIP and the Trustees’ objectives. They will also have regard for the need for diversification, quality and liquidity within the investment portfolio. The investment managers will provide the Trustees with regular statements on the performance of the fund’s and assets under management, together with comparable figures from benchmark indices.

## **Investment Objectives and Beliefs**

The main objectives of the Trustees are:

- To ensure that the Scheme's obligations to the members and beneficiaries can be met;
- To provide benefits in full as they fall due;
- To reduce the dependency of the Scheme to investment returns over the long-term;
- To pay due regard to the sponsoring employer's requirements in relation to its plans for managed growth and the size and timing of the contribution payments it is able and willing to pay.

The Trustees wish to achieve, and then maintain, a funding level of at least 100% on an ongoing basis through the adoption of a prudent funding and investment strategy, which takes into account the strength of the covenant of the sponsoring employer.

As the funding position of the Scheme improves, the Trustees aim to gradually reduce the level of investment risk taken so that over the longer term there is minimal investment risk and the funding position remains stable.

The Trustees' investment beliefs are:

- Some risk is necessary to achieve the returns necessary;
- Unrewarded risks should be generally avoided, hedged or diversified;
- Well governed companies that manage their businesses in a responsible way will produce higher returns over the long-term;
- Climate change could be a long-term risk for the Scheme and may have an impact upon the chosen investment strategy;
- Responsible investment and engagement over the long-term reduces risk and may have a positive impact on returns.

## **Implementation**

The Trustees set the broad investment strategy having regard to the objectives and following careful consideration of:

- the nature and duration of the Scheme's liabilities,
- the risks of investing in the various asset classes,
- the implications of the strategy (under various scenarios) for the level of contributions required to fund the Scheme,
- the strength of the sponsoring company's covenant.

The Trustees recognise that the investment strategy is subject to risk, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities.

The Trustees have delegated day to day investment decisions by investing in insurance contracts.

## **Risk Management**

The Scheme is exposed to a number of risks. The Trustees', and their advisers, have due regard for the following risks when devising and implementing their investment strategy.

- Any mismatch between the Scheme's assets and liabilities.
- The short-term volatility in the Scheme's funding position as a result of holding higher risk investments.
- Lack of diversification and liquidity.
- Volatility in the sponsoring employer's contribution rate.

- Safe custody of the Scheme's assets.
- Market risk.
- Political risk.
- Counterparty risk.

These risks are monitored, mitigated as far as possible and/or diversified by the Trustees and their advisers. Investment risks are regularly reviewed by the Trustees as part of the ongoing governance structure of the Scheme.

### **Current Investment Strategy**

The Scheme is permitted to invest in a wide range of assets including equities, bonds, cash, property, alternatives, and annuity policies. The Trustee monitors any employer-related investment content of their portfolio as a whole and will take steps to alter this should they discover this exceeds 5% of the portfolio.

The Trustees have decided to invest the scheme's assets entirely in insurance contracts. The Trustees have chosen a with-profits policy provided by AVIVA. The underlying asset split of this policy is approximately 65% equities, 15% property and 20% fixed-interest bonds.

The policy aims to provide good returns through steady growth over the duration of the policy. Although market fluctuations of investment returns are smoothed through the declaration of bonuses, the objective is to provide payments which reflect the actual returns achieved by the Scheme over the long term.

The Trustees' reasons for investing are as follows;

- The policy provides competitive and smoothed investment returns;
- The policy adopts a diversified investment strategy until retirement, at which point annuities are purchased which provide a precise match to the liabilities

The policy provides some valuable guarantees, which would otherwise be lost.

The asset allocation was correct at the time of drafting this SIP. The allocation may change over time as a result of market movements or disinvestments. The Trustees will review the appropriateness of continuing to hold the policy in light of periodic actuarial valuations. Any changes to the strategy or investment managers will be made only after obtaining written investment advice and consulting with the sponsoring employer.

### **Disinvestment**

Where cash is required to meet benefit payments or for general purposes of the Scheme, the Trustees will disinvest from the insurance policy.

### **Policies**

#### **Use of an insurance policy**

The Trustees do not make decisions regarding the investments held within the insurance policy. The balance between investment classes will be determined by the manager of the policy.

The Trustees review performance of the policy at regular intervals and also consider the performance of the overall strategy against their objectives.

## **Financially Material Considerations including Environmental, Social and Governance (ESG)**

The Trustees believe that good corporate stewardship and ESG issues may have a material financial impact on investment returns. The Trustees have given the investment managers full discretion when considering ESG issues, exercising voting rights and engagement activities in connection with the Scheme's investments. The extent to which Financially Material Considerations and ESG factors are taken into account by the investment managers is considered by the Trustees when selecting organisations with which to invest. The Trustees will request information on these matters from investment managers.

The Financial Reporting Council's UK Stewardship Code has been taken into account by the Trustees. (The Trustees do not take any non-financial matters into account in the selection, retention and realisation of investments).

The Scheme's voting rights are exercised by the investment managers in accordance with their own corporate governance policies, current best practice and the UK Corporate Governance Code and the UK Stewardship Code. The Trustee expects its Investment Managers, to exercise ownership rights attracted to investments, including voting and engagement rights, in order to safeguard sustainable returns. The Trustees reserve the right to request details about the votes exercised on their behalf by the investment managers.

### **Non-Financial Matters**

Non-financial matters are not taken into account when determining the Scheme's investment policy. Member views are not actively sought but the Trustees make a copy of the Statement of Investment Principles available to members on request and publish a copy of the Statement on a publicly accessible website.

### **Direct Investment**

The Trustees will not hold investments directly and hence cannot exercise voting rights nor undertake investment engagement activities.

### **Incentivising Investment Managers**

As investments are made via insurance policy with defined charges and expenses, it is not possible directly to incentivise fund managers to align investments with the Trustees' policies, improve engagement or monitor transaction costs. Ultimately, the Trustees only remedy is likely to be to move to an alternative investment arrangement.

### **Monitoring Turnover**

The nature of the Scheme's investments makes it impractical for the Trustees to monitor turnover or turnover costs directly. The performance figures that the Trustees and advisors analyse are net of transactions costs, so this is taken into account indirectly.

### **Term of Manager Appointments**

The investment in the insurance policy does not have a fixed term but can be terminated in the event of consistent underperformance or misalignment with the Trustees' objectives.

Date: .....21 September 2020.....

Signed: