

The PJH Group Pension Scheme

Statement of Investment Principles

The Trustee of the PJH Group Pension Scheme (the “Scheme”) has drawn up this Statement of Investment Principles (“SIP”). Details of the implementation of the Scheme’s investment principles are set out in a separate document, the Investment Implementation Document (“IID”).

Investment Objective

The Trustee invests the assets of the Scheme with the aim of ensuring that all members’ accrued benefits can be paid. The Scheme’s funding target is specified in the Statement of Funding Principles, and the Scheme’s funding position will be reviewed annually to assess the position relative to the funding target and whether the investment policy remains appropriate to the Scheme’s circumstances.

The Scheme’s present investment objective is to achieve a return of around 1.8% per annum above the return on UK Government Bonds.

Investment Strategy

The Scheme’s strategy is to invest according to the following broad asset allocation:

Asset Class	Proportion %	Expected Return (relative to fixed interest gilts) ⁽¹⁾ %
Liability Driven Investment	30.0	0.0
Sterling Long Dated Corporate Bonds	15.0	1.1
Absolute Return Bonds	27.0	2.4
Diversified Growth Funds	28.0	3.5
TOTAL	100.0	1.8

⁽¹⁾ Expected returns are 10 year assumptions (net of investment management fees) as at 31 March 2019.

The above investment strategy was derived from 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, and also the strength of the sponsoring company’s covenant. The Trustee has considered the merits of a range of asset classes, including various “alternative assets”.

The Trustee recognises 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. This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities and managed by investing in assets which are expected to perform broadly in line with the liabilities over the long term and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities. The assets of the Scheme consist predominantly of investments which are traded on regulated markets.

Investment Management Arrangements

The Trustee has appointed several investment managers to manage the assets of the Scheme as listed in the IID. The investment managers are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the investment managers via a written agreement. The delegation includes decisions about:

- Realisation of investments;
- Social, environmental, ethical and governance considerations in selection, retention and realisation of investments;
- The exercise of rights (including voting rights) attaching to the investments.

The Trustee takes investment managers' policies into account when selecting and monitoring managers. The Trustee also takes into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise their powers of investment with a view to giving effect to the principles contained within this statement, so far as reasonably practicable.

The investment managers' remuneration is based upon a percentage value of the assets under management. The fees have been negotiated to be competitive and are reviewed on an ongoing basis.

As the Scheme's assets are invested in pooled vehicles, the custody of the holdings is arranged by the investment managers.

Investment Manager Monitoring and Engagement

The Trustee monitors and engages with the Scheme’s investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustee seeks to engage on these matters with investment managers.

Areas for engagement	Method for monitoring and engagement	Circumstances for additional monitoring and engagement. The Trustee believes that:
Performance, Strategy and Risk	<ul style="list-style-type: none"> • The Trustee receives quarterly performance reports from their platform provider detailing information on the underlying investments’ performance, which are considered at the relevant Trustee meeting. • The Scheme’s investment managers are invited to present (via conference call) to the Trustee on their performance, strategy and risk exposures if issues arise. 	<ul style="list-style-type: none"> • There are significant changes made to the investment strategy. • The risk levels within the assets managed by the investment managers have increased to a level above and beyond the Trustee’s expectations. • Underperformance vs the performance objective over the period that this objective applies.
Environmental, Social, Corporate Governance factors and the exercising of rights	<ul style="list-style-type: none"> • The Trustee’s investment managers provide reports on how they have engaged with issuers regarding social, environmental and corporate governance issues. • The Trustee receives information from their investment advisers on the investment managers’ approaches to engagement. • The monitoring of ESG factors within the Scheme’s investments will be undertaken on an annual basis. 	<ul style="list-style-type: none"> • The manager has not acted in accordance with their policies and frameworks. • The manager’s policies are not in line with the Trustee’s policies in this area.

Through the engagement described above, the Trustee will work with the investment managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustee may review the relevant investment manager’s appointment.

Employer-related investments

The policy of the Trustee is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Plans (Investment) Regulations 2005 except where the Scheme invests in pooled vehicles that may hold employer-related investments. In this case the total exposure to employer-related investments will not exceed 5% of the

Scheme's value. The Trustee will monitor this on an annual basis to ensure that any allocation(s) to an employer-related investment via any of the Scheme's pooled investment vehicles does not exceed 5% of the Scheme's value in aggregate.

Direct investments

Direct investments, as distinguished by the Pensions Act 1995, are products purchased without delegation to a fund manager through a written contract. These include the pooled vehicles available for members' Additional Voluntary Contributions (AVCs). When selecting and reviewing any direct investments, the Trustee will obtain appropriate written advice from their investment advisers.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustee consulted the sponsoring employer and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

Governance

The Trustee of the Scheme make all major strategic decisions including, but not limited to, the Scheme's asset allocation and the appointment and termination of fund managers.

When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee's investment advisers, Isio Group Limited, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience. The investment adviser's remuneration may be a fixed fee or based on time worked, as negotiated by the Trustee in the interests of obtaining best value for the Scheme.

Date: September 2020

Appendix A – Risks

A non-exhaustive list of risks and financially material considerations that the Trustee has considered and sought to manage is shown below. All risks within this Appendix are considered to be relevant over the lifetime of the Scheme’s existing investment strategy in the context of the current objectives of the Trustee.

The Trustee adopts an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

Risks	Definition	Policy
Investment	The risk that the Scheme’s position deteriorates due to the assets underperforming.	<ul style="list-style-type: none"> Selecting an investment objective that is achievable and is consistent with the Scheme’s funding basis and the sponsoring company’s covenant strength. Investing in a diversified portfolio of assets.
Funding	The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows.	<ul style="list-style-type: none"> Funding risk is considered as part of the investment strategy review and the actuarial valuation. The Trustee will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time.
Covenant	The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme.	<ul style="list-style-type: none"> When developing the Scheme’s investment and funding objectives, the Trustee takes account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support.

The Scheme is exposed to a number of underlying risks relating to the Scheme’s investment strategy, these are summarised below:

Risk	Definition	Policy
Interest rates and inflation	The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations.	To hedge c.75% of these risks on the Technical Provisions basis. The implementation of the inflation hedge was initiated at 25% and then phased in tranches up to 75% over a period of around 6 months.
Liquidity	Difficulties in raising sufficient cash when required without adversely	To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they

	impacting the fair market value of the investment.	fall due (including transfer values), and to provide collateral to the LDI manager.
Market	Experiencing losses due to factors that affect the overall performance of the financial markets.	To remain appropriately diversified and hedge away any unrewarded risks, where practicable.
Credit	Default on payments due as part of a financial security contract.	To diversify this risk by investing in a range of credit markets across different geographies and sectors. To appoint investment managers who actively manage this risk by seeking to invest only in debt securities where the yield available sufficiently compensates the Scheme for the risk of default.
Environmental, Social and Governance	Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments.	To appoint managers who account for ESG factors as part of their investment process. The Trustee monitors the managers in this regard on an annual basis.
Currency	The potential for adverse currency movements to have an impact on the Scheme's investments.	Delegate responsibility of currency hedging decisions within the diversified growth funds and absolute return bonds to the respective investment managers, within constraints imposed by the agreed investment guidelines. Hedge currency risks where deemed appropriate, following advice from investment advisers.
Non-financial	Any factor that is not expected to have a financial impact on the Scheme's investments.	Non-financial matters are not taken into account in the selection, retention or realisation of investments.

Appendix B – Investment Management Arrangements

The Trustee has the following policies in relation to the investment management arrangements for the Scheme:

<p>How the investment managers are incentivised to align their investment strategy and decisions with the Trustee’s policies.</p>	<ul style="list-style-type: none"> • The Scheme Trustee invests in pooled funds which are aligned to the strategic objective. It is recognised that due to the nature of pooled funds, there is not scope for these funds to be specifically tailored to the policies of the Trustee.
<p>How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term.</p>	<ul style="list-style-type: none"> • The Trustee reviews the investment managers’ performance relative to medium and long-term objectives as documented in the investment management agreements. These objectives being medium-long term in nature mean that the investment managers position their portfolios accordingly. • The Trustee will begin to monitor the investment managers’ engagement and voting activity on an annual basis as part of the implementation statement that supplements the Scheme’s annual report and accounts from the 31 December 2020 accounts. By doing this, the Trustee may indirectly incentivise the investment managers to make decisions based on non-financial information.
<p>How the method (and time horizon) of the evaluation of investment managers’ performance and the remuneration for their services are in line with the Trustee’s policies.</p>	<ul style="list-style-type: none"> • The Trustee reviews the performance of all of the Scheme’s investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. • The Trustee evaluates performance over the time period stated in the investment managers’ performance objective, which is typically 3 to 5 years.
<p>The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range.</p>	<ul style="list-style-type: none"> • The Trustee monitors portfolio turnover costs indirectly as part of its ongoing monitoring of the Scheme’s assets and investment managers.

<p>The duration of the Scheme's arrangements with the investment managers.</p>	<ul style="list-style-type: none">• The Trustee is aware of the duration of the Scheme's arrangement with each of its investment managers (e.g. as part of ongoing monitoring). Ultimately, however, the duration of each arrangement is determined by its suitability and contribution to meeting the Scheme's overall investment objectives.
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