H L Hutchinson Limited Pension Scheme

Statement of Investment Principles

June 2024

1 Introduction

This Statement sets out the principles governing decisions relating to the investment of the assets of the H L Hutchinson Limited Pension Scheme (the Scheme).

The Scheme is a defined benefit arrangement set up under trust and registered with HM Revenue and Customs (HMRC). The Scheme is subject to the Statutory Funding Objective (SFO) introduced by the Pensions Act 2004, i.e., that it should have sufficient and appropriate assets to cover its Technical Provisions, as calculated in accordance with the Trustees' Statement of Funding Principles.

This Statement has been prepared in line with the following legislation and regulations:

- Section 35 of the Pensions Act 1995
- Section 244 of the Pensions Act 2004 and the Occupational Pension Scheme (Investment) Regulations 2005
- The Pension Protection Fund (Pensionable Service) and Occupational Pension Scheme (Investment and Disclosure) (Amendment and Modification) Regulations 2018
- The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019

A copy of this Statement will be made available to Scheme members on request to the Trustees or online.

2 Investment Decision Making

The investment of the Scheme's assets is the responsibility of the Trustees. The Trustees have obtained and considered professional advice on the content of this Statement from Broadstone Pensions Limited (Broadstone), its appointed investment adviser. Broadstone has confirmed to the Trustees that it has the appropriate knowledge and experience to give the advice required under legislation. Broadstone is remunerated a fee for its advice and its appointment is reviewed from time to time by the Trustees.

The Trustees have also consulted the Principal Employer, H L Hutchinson Limited, when setting their investment objectives and strategy, and in the preparation of this Statement.

Responsibility for maintaining the Statement and determining the Scheme's investment strategy rests solely with the Trustees. The Trustees will obtain such advice as they consider appropriate and necessary whenever they intend to review or revise this Statement.

The Trustees' investment powers are set out in Section 39 of the Scheme's Deed of Variation dated September 2012. The powers granted to the Trustees under this Rule are wide and this Statement is consistent with those powers.

3 Investment Objectives

In determining its investment objectives and strategy, the Trustees have considered the strength of the Principal Employer's willingness and ability to support the Scheme.

The Trustees and Principal Employer have adopted a funding and investment approach that secures the Scheme's liabilities with an insurer. This approach places very little assumed reliance on the employer covenant. The Trustees are satisfied that the Principal Employer has the resources to enable the liabilities to be secured in the short term, given that the Trustees have secured the liabilities of the Scheme in full by purchasing a bulk annuity 'buy-in' contract with an insurer, and the Employer has resources in place that are expected to be sufficient to meet the majority of the additional expenses to finalise the bulk annuity purchase process.

The Scheme is subject to the Statutory Funding Objective (SFO) introduced by the Pensions Act 2004, i.e. that it should have sufficient and appropriate assets to cover its Technical Provisions, as calculated in accordance with the Trustees' Statement of Funding Principles. However, given the fact that the Trustees have secured the Scheme's liabilities with an insurer, the Trustees have agreed that the funding position measured relative to the cost of the bulk annuity contract is the assessment of scheme funding that is of most importance to the Trustees and members.

The Trustees' investment objectives are as follows:

- To ensure that the assets are of a nature to enable the Trustees to meet the Scheme's benefits as they fall due;
- To invest the Scheme's assets in an appropriately diverse and liquid range of investments;
- To invest sufficient assets in a bulk annuity contract that backs all the liabilities of the Scheme to enable the Trustee to meet all of the Scheme's benefits as they fall due.
- Other than holdings of cash to meet short-term payments due from the Scheme, to have no exposure to assets that would not be expected to contribute to a strong degree of correlation with changes in the valuation of the price of bulk annuity contracts.

The Trustees will have regard to the Principal Employer's and Insurer's views on the potential costs and risks associated with the investment objectives set and their implementation through the practical strategy.

4 Setting the Investment Strategy

The Trustees have appointed Aviva Life and Pensions Limited ('Aviva) ('the Insurer') as the insurer to undertake the day-to-day investment management of the Scheme's assets backing defined benefits. The remaining assets are held in the Royal London Mutual Insurance Society Limited ('Royal London') RLP Deposit fund to cover any shortfall, should the cost of buyout require an addition premium and to meet any expenses of running the Scheme.

As at June 2024, the Scheme's holdings within the RLP Deposit fund was c.£3,750,000. The Trustees' investment policy has been set with due regard to the remaining risks. The main risks being additional expenses to secure a full 'buyout' with the insurer and any additional liability that should arise in finalising data transfer. The Trustees', along with their advisers, agree that the surplus held within the RLP Deposit fund is likely to be sufficient to cover potential increase in liability as well as expenses. Therefore, the Trustees policy to hold insured assets with Aviva alongside liquid, low risk assets to protect the value of the surplus until such time the buyout process is completed.

Additional Voluntary Contributions (AVCs)

The Scheme holds AVCs separately to the assets backing defined benefits, in funds held with Utmost Life and Pensions and Royal London. The liability in respect of these AVC funds is equal to the value of the investments bought by the contributions. As at June 2024, the Scheme holds 4 AVCs, 2 with Royal London and 2 with Utmost Life and Pensions.

5 Realisation of Assets

The majority of assets of the Scheme are held in a buy-in policy with Aviva, which covers all benefits payable from the Scheme as they fall due.

The Trustees also have surplus holdings within Royal London's RLP Deposit Fund and maintains a bank balance which will be used to meet any benefit requirements as well as expenses ahead of the final agreement being reached with Aviva to execute a full buyout of liabilities.

6 Expected Returns

The Trustees' objective, and the expected return of the Scheme's assets, is for the bulk annuity policy held with the Insurer to match any changes in value of the Scheme's liabilities.

7 Risks

The Trustees have considered various risks the Scheme faces, including market risk, interest rate risk, inflation risk, default risk, concentration risk, manager risk and currency risk, and consider that the buy-in policy mitigates these risks, taking account of the strength of the Principal Employer's covenant. Furthermore, the buy-in policy mitigates the risk that the Scheme's funding position is volatile as market conditions change.

Any residual risks will be mitigated when the Scheme winds-up.

The risk of concentration has largely been delegated to the Insurer, who will consider the overall mix of assets backing the Scheme's bulk annuity policy.

The Trustees will review wider operational risks as part of maintaining their risk register.

8 Security of Assets

The day-to-day activities that the Insurer carries out for the Trustees are subject to regular internal reviews and external audits by independent auditors to ensure that operating procedures and risk controls remain appropriate.

Safe-keeping of the Scheme's assets held with the Insurer is performed by a custodian appointed by them.

The Trustees have considered the security of the Scheme's holdings with the Insurer, allowing for its status as a reputable regulated firm, together with solvency capital requirements set by the Prudential Regulation Authority, and considers the associated protection offered to be reasonable and appropriate.

The Scheme's assets held with Royal London are protected by the appointed custodian, HSBC Bank plc.

9 Responsible Investment & Stewardship

The Trustees believe that in order to protect and enhance the value of the investments, during the period over which the benefits are paid, they must act as a responsible asset owner.

The Scheme is also comprised of a diverse membership, expected to hold a broad range of views on ethical, political, social, environmental, and quality of life issues. The Trustees therefore do not explicitly seek to reflect any specific views through the implementation of the investment strategy, both financial and non-financial.

The Trustees' policies in respect of responsible investment are set out below:

Policy	
Financially Material Considerations	The Trustees recognise that Environmental, Social and Governance (ESG) issues can and will have a material impact on the companies, governments and other organisations that issue or otherwise support the assets in which the Scheme invests. In turn, ESG issues can be expected to have a material financial impact on the returns provided by those assets. The Trustees de responsibility for day-to-day decisions on the selection of investments to the Insurer and Investment Manager. The Trustees have an expectation that the Insurer and Investment Manager will consider ESG issues in selecting investments or will otherwise engage with the issuers of the Scheme's underlying holdings on such matters in a way that is expected to improve the long-term return on the associated assets. The Trustees have not imposed any specific restrictions on the Insurer with regard to ESG issues as part of its buy-in policy purchased nor Royal London, as the Scheme's Investment Manager. However, the Trustees reserve the right to request information from the Insurer and Investment Manager on their approaches to selecting investments and engaging with issuers with reference to ESG issues. With regard to the specific risk to the performance of the Scheme's investments associated with the impact of climate change, the Trustees take the view that this falls within its general approach to ESG issues. The Trustees regard the potential impact of climate change on the Scheme's assets as a longer-term risk and likely to be less material in the context of the short-term development of the Scheme's funding position than other risks. The Trustees will continue to monitor market developments in this area in conjunction with their investment adviser.
Non-Financially Material Considerations	Where ESG factors are non-financial (i.e. they do not pose a risk to the prospect of the financial success of the investment) the Trustees believe these should not drive investment decisions. The Trustees expect the Insurer and the Investment Manager, when exercising discretion in investment decision making, to consider non-financial factors only when all other financial factors have been considered and in such a circumstance the consideration of non-financial factors should not lead to a reduction in the efficiency of the investment.

Policy	
Engagement and Voting Rights	The Trustees' voting and engagement policy is to use their investments to improve the Environmental, Social and Governance behaviors of the underlying investee companies. These ESG topics encompass a range of priorities, which may over time include climate change, biodiversity, the remuneration and composition of company boards, as well as poor working practices. The Trustees believe that having this policy and aiming to improve how companies behave in the medium and long term will protect and enhance the value of their investments and is in the members' best interests. The engagement policy of the Insurer can be found at the following website: https://www.aviva.com/sustainability/reporting/ The engagement policy of the Investment Manager can be found at the following website:
Capital Structure of Underlying Companies	Responsibility for monitoring the make up and development of the capital structure of investee companies is delegated to the Insurer and the Investment Manager. The Trustees expect the extent to which the Insurer and the Investment Manager monitor capital structure to be appropriate to the nature of the mandate.

10 Conflicts of Interest

The Trustees maintain a separate conflicts of interest policy and register, which is reviewed at each Trustee meeting.

Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies, the Insurer or the Investment Manager, while also setting out a process for their management.

11 Incentivisation of Investment Managers

The Insurer is remunerated through the premium charged on their bulk annuity contract. The Investment Manager is remunerated through an annual management charge.

The Trustee does not directly incentivise the Insurer to align the approach they adopt for bulk annuity contracts with the Trustee's investment policies and objectives. Instead, the Insurer selects investments so that, in aggregate, the returns produced are expected to meet the Trustee's objectives.

The Trustee does not directly incentivise the Insurer to make decisions about the medium to long-term performance of an issuer of debt or equity, or to engage with those issues to improve their performance. The Trustee expects such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the bulk annuity contract used by the Scheme.

The Royal London RLP Deposit Fund has annual management charges of 0.2% per annum. There are no explicit management charges applied within the buy in policy.

12 Portfolio Turnover Costs

The Trustees expects the Insurer and the Investment Manager to change underlying holdings only to an extent required to meet their investment objectives. The reasonableness of such turnover will vary by fund and change according to market conditions.

The Trustees therefore do not set a specific portfolio turnover target.

13 Monitoring

The Trustees will monitor the success of the Scheme's investment strategy and the Investment Manager, through the Investment Manager's ability to meet its stated investment objective.

The Trustees will monitor the success of the Scheme's investment strategy and the Insurer, through the Insurer's ability to meet the Scheme's liability payments.

The Trustees have entered into a bulk annuity contract with the Insurer, with the expectation that this will be held by the Trustee over a short period of time, until the Scheme winds-up. There is no explicit target to review the duration of this bulk annuity contract. The Trustees will consider on a regular basis whether or not the AVC provider remains appropriate to continue to manage the Scheme's AVCs.

14 Review of Statement

The Trustees will review this Statement if there is a significant change in the Scheme's investment strategy or a significant change in the regulations that govern pension scheme investment.

For and on behalf of H L Hutchinson Limited Pension Scheme

Date: 26th June, 2024