



S Grundon Group Pension Fund Defined Benefit Scheme Statement of Investment Principles (“Statement”)

Introduction

This Statement has been prepared by the Trustees of the S Grundon Group Pension Fund. The Scheme is a Final Salary (Defined Benefit) Pension.

This Statement has been prepared in accordance with Section 35 of the Pensions Act 1995 and the Occupational Pension Scheme (Investment) Regulations 2005, as amended. The effective date of this Statement is 20 February 2024.

The Trustees are responsible for the investment strategy of the Scheme. In preparing this document, the Trustees have consulted the Principal Employer and have obtained written advice from the Scheme's Investment Consultant and the Scheme Actuary.

The Trustees will review this Statement at least every three years and without delay after any significant change in investment policy.

Supporting Professionals

The Trustees have appointed professional bodies to assist with the management of specific aspects of the Scheme including Investment Managers, Lawyers and Actuaries. The fitness and propriety of these advisory bodies is assessed regularly.

The Trustees delegate implementation of the Scheme investment strategy and day-to-day management of the Scheme investments to Courtiers Investment Services Limited (“Courtiers”) which acts as the Scheme’s Investment Manager and Investment Consultant. Courtiers is authorised and regulated by the Financial Conduct Authority. A copy of this Statement has been provided to Courtiers and is available to the members of the Scheme via the Employer’s website or directly upon request.

The Trustees are involved in all key decisions around investment strategy, risk and planning. Decisions as to the wider investment strategy will be taken by the Trustees only when quorate or by a resolution signed by all Trustees. This does not include investment decisions taken by the Trustees’ appointed Investment Managers acting within the scope of the mandate supplied to them.

Investment Governance

The Trustees' primary role is to act in the best interests of the Scheme members. The Trustees have ultimate responsibility for decision-making on investment matters and monitoring compliance with this Statement.

The Trustees take strategic investment decisions as a trustee body, with guidance from their Investment Consultant. Strategic investment decisions include, but are not limited to asset allocation, investment risk management and manager selection.

Decisions affecting the Scheme's investment strategy are taken in consultation with the Principal Employer and with appropriate advice from the Scheme Actuary, Investment Consultant and, where appropriate, the Trustees' other advisers.

When investing in a pooled investment vehicle, the Trustees will ensure the investment objectives and guidelines of the vehicle are consistent with its own objectives.

Objectives

The Trustees primary objectives are:

Security Objective: To ensure they can meet the members' benefit entitlements under the Trust Deed and Rules as they fall due;

Statutory Funding Objective: To ensure the Scheme is fully funded on a Technical Provisions basis. Where an actuarial valuation reveals a deficit (on an ongoing basis) a recovery plan will be put in place which will take into account the financial covenant of the Employer.

Stability Objective: To have due regard to the likely level and volatility of required contributions when setting the Scheme's investment strategy; and

Security Objective: To ensure that the solvency position of the Scheme (as assessed on a gilt basis) is expected to improve. The Trustees will take into account the strength of the Employer Covenant when determining the expected improvement in the solvency position of the Scheme.

Low Dependency Objective: To reduce dependency on the Scheme Employer.

De-risking Objective: Reduce funding level volatility and liquidity risk in a way that is appropriate to the nature, timing and duration of the expected future retirement benefits payable under the Scheme. The objective is to monitor interest rate and inflation risk such that a movement in the gilt yield curve and/or the RPI curve generates a reasonably consistent movement in the value of the assets and liabilities.

Buying out Scheme Liabilities

When setting the investment strategy, the Trustees have also considered the possibility of securing the liabilities of the Scheme with an insurance company. The Trustees will continue to monitor the scope to buying out the Scheme's liabilities as and when they believe that this may be an appropriate course of action, to meet their objectives.

Investment Selection

The types of investments that comprise the benchmark and the balance between them is deemed appropriate given the liability profile of the Scheme, its cash flow requirements, the funding level of the Scheme and the Trustees' objectives.

The assets of the Scheme are invested in the best interests of the members and beneficiaries.

The Trustees exercise their powers of investment, or powers of delegation where these powers have been delegated to an Investment Manager, in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk, a spread of assets is held. The diversification is both within and across major asset classes.

The Scheme is closed to new entrants and closed to future accrual. It therefore has a finite lifespan. Accordingly, the Trustees believe that long-term thinking is important when selecting investments.

Assets held to cover the Scheme's Technical Provisions (the liabilities of the Scheme) should be invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the Scheme.

The assets of the Scheme should be invested predominantly on regulated markets (with investments not on regulated markets being kept to a prudent level) and properly diversified to avoid excessive reliance on any particular asset, issuer or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

Investment in derivatives may be made in so far as they contribute to the reduction of investment risks or facilitate efficient portfolio management and are managed such as to avoid excessive risk exposure to a single counterparty or other derivative operations.

The Balance Between Different Kinds of Investments

The Trustees recognise that the key source of financial risk (in relation to meeting their objectives) arises from asset allocation. They therefore retain responsibility for setting asset allocation and take expert advice as required from their professional advisers.

As a minimum the asset allocation is reviewed once every three years.

The asset allocation set out in Appendix 1 was implemented after consultation with the Scheme's Investment Managers in regards to the funding position, objectives, and the financial covenant of the Employer. A broad range of available asset classes will be considered.

Investment Risk Measurement and Management

Since the key investment risks are recognised as arising from asset allocation, this aspect is assessed triennially in conjunction with the actuarial valuation of the Scheme. The Trustees are responsible for reviewing the asset allocation and investment strategy as part of each actuarial valuation in consultation with the Scheme Actuary and Investment Consultant. The Trustees may also reconsider the asset allocation and the investment strategy outside the triennial valuation period where necessary.

The investment strategy for the DB Section aims to achieve an appropriate balance between generating returns and managing risks, while maintaining consistency with the DB Section's Integrated Risk Management (IRM) framework and the Trustees' risk appetite.

Funding Risk

The Trustees obtain at least annual updates on the funding position of the Scheme and agree recovery plans with the Scheme Employer where there is a shortfall of assets relative to liabilities.

Employer Covenant

Risks associated with changes in the Employer covenant are assessed by monitoring the Failure Score (as defined for the purposes of calculating the risk-based element of the Pension Protection Fund Levy) and via regular updates from the Employer. Independent assessments are also conducted periodically by the Scheme's Investment Managers using publicly available information and management accounts.

The Trustees receive notifications from the Employer of any events which have the potential to alter the creditworthiness of the sponsoring Employer and will review the score at least annually. In particular, the Trustees will be informed of Type A events, as defined in appropriate guidance issued by the Pensions Regulator and Employer-related Notifiable Events. On receipt of such notification, the Trustees will re-consider the continued appropriateness of the Scheme's existing investment strategy.

Interest Rate and Inflation Risk

The Scheme's assets are subject to interest rate and inflation risk. The investment strategy aims to hedge part of the interest rate and inflation risk to reduce the volatility of the funding level. This is reviewed on a regular basis and at least once a year.

Counterparty risk

Counterparty risk is measured by reference to the credit quality of counterparties and the issuers of the assets owned by the Scheme. It is managed through the Investment Manager guidelines with respect to cash management and derivatives usage. The Scheme's assets must be properly diversified in such a way as to avoid excessive reliance on a particular asset type or group of undertakings and so as to avoid accumulations of risk in the portfolio as a whole. Investments in securities issued by the same issuer or by issuers belonging to the same group must not expose the Scheme to excessive risk concentration.

Growth asset risk

The Trustees recognise that 'growth' assets (including but not limited to equities, real assets, and derivatives) can exhibit more volatility than fixed income instruments. Therefore, the Trustees have set an overall investment strategy that ensures the DB Scheme is diversified across the risk/return spectrum. In addition, the investment strategy ensures that 'growth' assets are diversified through the use of risk-adjusted multi-asset funds.

Longevity Risk

Is measured by reference to the expected impact on Scheme funding of members living longer than expected. It is managed through allowing prudently for future changes in mortality in the Scheme's funding basis.

Currency Risk

Is measured by the level of overseas investment and the translation effect of currencies leading to the risk of an adverse influence on investment values. It is managed by the Investment Manager monitoring the extent of such overseas assets and hedging foreign currency exposure as appropriate.

Credit Risk

Is the risk that a borrower will fail to repay a loan and/or a contractual obligation. It is managed by only utilising market issues from issuers with an investment grade rating, determined by internationally recognised rating agencies. These agencies include Standard & Poor's, Moody's and Fitch.

Credit risk from assets that are not issued and/or quoted on a recognised market will be managed by appropriate credit analysis of the issue and issuer.

Credit risk from any one issuer, or issues or issuers from the same group, will be managed by diversification to avoid undue concentration of credit risk to just one entity.

Duration Risk

Is the risk and potential impact that a change in interest rates will have on the market value of a bond. It is managed by the Investment Manager monitoring interest rates with respect to their historic averages and altering the underlying fixed interest instruments accordingly.

Liquidity Risk

Is the risk that short-term obligations of a company cannot be met; inclusive of the inability to convert securities into readily accessible cash. It is managed via liquidity assessments on the underlying funds based on daily average trading volumes in conjunction with market participation rates.

LDI

LDI (Liability Driven Investment) is a form of investment in securities that match parts, or all, of the Scheme's liabilities, especially with regard to duration risk. LDI invariably involves leverage and in the event that liquidity is inadequate to meet margin calls from a lender(s) can result in the fire-sale of assets with a detrimental effect on the market value of those assets. Problems with liquidity in LDI funds prompted the Bank of England to intervene in September and October 2022, since when directives have been issued by TPR and the Bank of England.

Whilst the Trustees accept that LDI may be an appropriate tool in the hedging of changes to the value of the Scheme's liabilities, the Trustees direct that stress testing of such LDI positions, and their potential effect on scheme solvency, should be done with the worst possible scenario in mind having regard to long term historical data.

Custody

The Trustees have appointed their Investment Manager as custodian responsible for arranging the custody and safekeeping of the assets of the Scheme. Where the Investment Manager holds an interest in a pooled fund, the manager of the pooled fund will be responsible for the appointment and monitoring of the custodian of the fund's assets.

The custodian is independent of the Employer.

Expected Returns on Assets

The investment strategy aims to achieve a return on Scheme assets which is sufficient over time to match growth in the Scheme's pension liabilities.

Returns achieved by the Investment Manager are assessed against performance benchmarks set by the Trustees in consultation with the advisers and Investment Manager.

Risk Reduction Strategies

The Trustees embrace diversification as a means to reduce portfolio risk and have used pooled multi-asset investments to achieve this.

In addition, risk mitigation strategies will be implemented, such as exposure to bonds, interest rates, inflation swaps or hedging currency, where it is appropriate and cost-effective to do so. In addition, the Scheme may invest in strategies designed to match future Scheme cashflows to reduce liquidity risk over time.

It is recognised that full matching of liabilities can only be achieved through buy-in or buy-out and this will be considered by the Trustees when appropriate.

Realisation of Investments/Liquidity

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise. The Trustees do not intend to invest directly in illiquid assets. The Scheme will continue to hold investments which may be realised at short notice through sale on liquid and regulated markets if required; for example, to secure Scheme liabilities through bulk annuity contracts.

A working balance of cash is held for imminent payment of benefits, expenses etc. The Trustees have agreed to hold approximately £300,000 of the Scheme's assets in cash or cash-like deposits. This is in addition to any cash held within funds into which the Scheme's assets are invested, as determined appropriate by the Scheme's Investment Manager. This additional cash position is rebalanced monthly.

ESG - Environmental, Social & Governance Considerations

Whilst relatively modest in size, the Trustees recognise that the capital held within the Scheme has the power to make a positive impact when invested in the right way, having due regard to environmental, social and governance ('ESG') considerations.

This should be a virtuous circle since the Trustees believe that investing in a responsible way might also deliver improved returns in the long-run. For example, the Trustees believe that climate change is likely to become a bigger issue for society in future and companies that make a positive impact on the environment could benefit over those that do not.

Given the long-term nature of the Scheme, ESG factors are given due consideration at the initiation of an investment position by the Investment Manager. ESG factors are considered via analyst review in conjunction with data provided by a third-party. The Investment Manager maintains there are no specific exclusions applied to the pooled multi-asset funds however due regard will be given to reduce ESG Risk. On the condition that a company is looking to be proactive with regard to their management of ESG factors, a position will not be rejected from inclusion within the funds.

The ESG Risk Scores of the underlying holdings and the amalgamated fund score are monitored on a monthly basis by the Investment Manager.

Whilst careful consideration is given to these aspects, the Trustees are also mindful of the primary objectives set out in this Statement and so will not seek to invest Scheme assets solely, or mainly, in ways that meet these ESG criteria where they feel that the Scheme's aims might be better met by other investments.

Set out below is the Scheme's specific ESG Policy, including how the Trustees think about climate change, the exercise of ownership rights and the extent to which non-financial matters are taken into consideration when selecting, retaining and realising investments.

ESG Policy

The Trustees of the Scheme share the same values as the Principle Employer.

The Employer is committed to protecting the local and global environment through responsible and effective management, minimising any negative impact and maximising opportunities to enhance the local environment in which it operates. The Employer complies with all relevant legislation, guidance and best practices to ensure it minimises its impact on the environment and conserves natural resources.

The Grundon Environmental & Energy Policy outlines the Employer's commitment to consider the environmental impact of its operational activities and ensure it manages them effectively. The Employer enthusiastically supports the waste hierarchy and focuses its efforts on the reuse and recovery of recyclable materials and the recovery of energy from waste through anaerobic digestion, landfill gas engines and Energy from Waste incineration.

Every year Grundon measure, monitor and manage, setting annual targets and using the indicators to help understand and mitigate the environmental impact of their operations. By doing they can develop future strategies and demonstrate performance and progress to all stakeholders.

One of their commitments is to ensure that they fully comply with all relevant legislation. All waste management facilities operate under Environmental Permits issued by the Environment Agency, which monitors their sites for compliance.

In keeping with these principles, the Trustees believe that:

- Climate change is a long-term risk that might have a long-term impact on a wide range of investments over time.
- The Scheme's investments should be selected with a long-term investment horizon in mind.
- Active corporate governance can add value to companies and improve investment returns associated with investments in such businesses.
- Investment strategies should be implemented with due regard to the costs associated with those investments.
- Sustainability should be considered, wherever possible, as part of the wider investment decisions.
- The Trustees will delegate the implementation of any ESG strategy to the Investment Manager and will require annual updates from the Investment Manager as to their policies.
- Investment Managers will only be selected where they share the Trustees' beliefs and are able to deliver appropriate investment strategies. The Trustees believe that the Investment Managers are better qualified to assess sustainability and ESG considerations than the Trustees.
- Given that the Trustees have a fiduciary duty to ensure sufficient returns from the Scheme's investments to meet the Scheme's liabilities as they fall due, the primary focus of the Investment Manager should always be the delivery of those investment returns. The Trustees believe, however, that positive ESG and sustainability actions are likely to help, rather than hinder, the delivery of the long-term objectives of the Scheme.

Stewardship (engagement and exercising voting rights)

The Trustees are not equipped to vote or engage individually with the companies in which they invest through their Investment Manager. They also recognise that by investing via pooled funds they are unable to directly influence the underlying securities in which their Investment Manager invests.

However, portfolio managers are expected to engage and influence the companies in which they invest including exercising their right to vote on matters relating to performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance. The Trustees recognise the importance of their role in relation to stewardship.

The Trustees expect managers to report fully on such stewardship activity and the Trustees engage with and monitor pooled fund managers, with respect to, for example, conflicts of interest and performance. This is primarily carried out via the Trustees' investment adviser, who provides analysis and advice to the Trustees.

The Trustees have delegated decision making regarding the exercising of voting rights, where available, to the Investment Manager. However, the Trustees have indicated to the Investment Manager that voting rights should be exercised, whenever possible, to help promote good practices in keeping with the policies outlined in this Statement. The Investment Manager should also vote according to the best practices laid out in the Financial Reporting Council's UK Stewardship Code.

The Trustees may ask the Investment Manager for proof of voting activity from time to time, as well as details of any direct engagement with companies.

S Grundon Group Pension Fund

This Policy will be reviewed at least annually by the Trustees and will be made publicly available via the Employer's website.

The Trustees will seek the views of members of the Scheme from time to time via surveys sent out with annual statements or other communications and will work to incorporate these views into future policies.

This Statement will be reviewed regularly and at least every three years.

Signed on behalf of the Trustees by



Name: Derek Steggall as Chair of the Board of Trustees

Date: 20/02/2024

Appendix 1 to Statement of Investment Principles

Asset Allocation

This Appendix sets out the Trustees' current investment strategy, and is supplementary to the Trustees' Statement of Investment Principles (the "attached Statement").

The Trustees' investment strategy has been established to maximise the likelihood of achieving the primary objectives set out in the attached Statement.

Asset Allocation Strategy

The current asset allocation strategy for the Scheme is set out in the table below:

Asset Class	Benchmark Index	Target Weight (%)
Global Equities	MSCI World TR Index (LC)	47.5%
Infrastructure	Global Listed Infrastructure Organisation Local Index	7.0%
Bonds (Interest Rate Hedge)	FTSE Actuaries Government Securities UK Gilts TR Over 15 Years	18.5%
Bonds (Inflation Hedge)	FTSE Actuaries Government Securities UK Index Linked Gilts TR Over 15 Years	10.0%
Bond & Cash	FTSE Actuaries Government Securities UK Gilts up to 5 Years Index	17.5%

The Trustees have given the Scheme's Investment Manager total discretion to invest in other asset classes, as well as those shown above, including but not limited to UK and overseas equities, corporate bonds, infrastructure, derivatives, fixed-interest and index-linked securities, including those issued by other sovereign governments and supranational bodies outside of the UK, and in whatever proportion as it sees fit but whilst always having regard to the risk mitigation objectives of the trustees, as notified to the Scheme's Investment Manager from time to time.

Investment Management Arrangement

The Investment Manager will invest the Scheme's assets in pooled funds and/or any assets that are considered appropriate having regard to the benchmark and the financial circumstances of the Scheme, both current and predicted in the future. Derivative contracts (such as OTC and Market Traded Instruments, Futures, Forwards, Swaps, Options, Forward Rate Agreements, etc.) may be used within the portfolio, or indirectly through collectives, to achieve the Scheme's goals having regard to the benchmark and the possible future relationship between assets and liabilities.

The asset allocation is set with the aim of achieving a long term expected return target above the return on Gilts.