

IMPLEMENTATION STATEMENT 2023

STATEMENT OF INVESTMENT PRINCIPLES - IMPLEMENTATION
Document Classification; PUBLIC
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INTRODUCTION

This statement sets out how, and the extent to which, in the opinion of the Trustee, the Plan's Statements of Investment Principles ("SIP") has been followed over the year.

REVIEW OF THE INVESTMENT STRATEGY OF THE SCHEME DURING THE SCHEME YEAR

In consultation with the sponsoring employer, the Trustee reviewed the Investment Strategy of the Scheme and de-risked the investments of the Scheme including a full disinvestment of the growth portfolios previously held, in October 2022. All assets have since been invested in a credit/gilt-based portfolio with Legal & General Investment Management ("LGIM") to provide a greater hedge against liability risks within the Scheme.

As a result of the Investment Strategy review, the Statement of Investment Principles dated 2020 (the "SIP") is being revised to reflect the new strategy.

IMPLEMENTATION OF THE SIP DURING THE PLAN YEAR

The Trustees' investment objectives for the DB Section set out in the SIP are:

- The acquisition of suitable assets, having due regard to the risks set out in the SIP, which will generate income and capital growth to pay, together with contributions from members and the Sponsoring Employer, the benefits which the Plan provides as they fall due.
- To limit the risk of the assets being assessed as failing to meet the liabilities over the long-term having regard to any statutory funding requirement.
- To achieve a return on investments which is expected to at least meet the Plan Actuary's assumptions over the long term.

The Trustees had delegated implementation of the diversified growth investment strategy to ASC and Bowmore Asset Management as the Investment Managers, maintaining a formal agreement which sets out the guidelines and restrictions of the investment strategy. This applied until the Scheme disinvested from those funds. LGIM managed the LDI element and now manage the remainder of the funds.

Investment advice was taken from Bowmore Financial Planning Limited (formerly The Citimark Partnership Limited) in relation to the then diversified growth asset element of the scheme assets. The Trustees acknowledged the inherent conflict of interest of the Investment Adviser and one of the Investment Managers being linked organisations and managed this conflict by regularly reviewing the performance of the Investment Manager and comparing the services provided against those offered by competitors.

First Actuarial acted as advisers on the movement to the LGIM funds.

The Trustee has monitored the performance of the Scheme's assets against the agreed objectives through regular reporting and monitor the suitability of the Investment Managers.

Investment risks had been mitigated through various measures, including the diversification of growth assets across various asset classes, countries and sectors, and the restriction of investments in illiquid assets, ensuring there was sufficient liquidity in the portfolio to meet near-term cash flow needs.

FINANCIALLY MATERIAL INVESTMENT CONSIDERATIONS

Because the investments are all made through pooled funds and not directly held by the trustees, the trustees have very limited influence as to the way in which engagement with investee companies is carried out.

The Trustees expect the Investment Managers to monitor the Environmental, Social and Governance ("ESG") characteristics of the portfolio's underlying holdings and to consider ongoing compliance with other factors, such as stewardship, over the year.

The Trustee had agreed a portfolio with ASC which excluded carbon intensive extractives and had noted that ASCs parent company was a UNPRI signatory and were rated A+ by PRI in 2019 for their Strategy and Governance. ASC in particular have a strong record on ESG issues.

The Bowmore portfolio remained invested in a non-ESG, core, portfolio however, it is noted that there was an overlap of ESG holdings in the core portfolio, which had been expected to grow over time.

The Trustee is satisfied that the funds currently invested in by the Scheme are managed in accordance with its views on financially material considerations and in particular with regards to the selection, retention, and realisation of the underlying investments held.

VOTING AND ENGAGEMENT ACTIVITY

The Trustee had followed the SIP's approach to voting and engagement and expected this to have positively contributed to the Scheme's performance. The trustee periodically requested information from the managers as to the exercise of their voting rights and reviewed this information, along with performance and strategic information when considering the ongoing implementation of their investment strategy. Following de-risking of the portfolio, this practice was no longer required.