**CalaChem Pension Fund (DB Section)**

**August 2019**

**Statement of Investment Principles**

**Introduction**

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 (as amended) for the CalaChem Pension Fund ('the Fund"). It describes the investment policy being pursued by the Trustee of the Fund and is in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK ('the Myners Principles') and TPR's Investment Guidance for defined benefit pension schemes. This SIP also reflects the requirements of Occupational Pension Schemes (Investment and Disclosure)(Amendment and Modification) Regulations 2018.

The Scheme Actuary is Shahbaz Hamid of Aon, the Investment Adviser is River and Mercantile Solutions (collectively termed 'the Advisers').

In December 2018, the majority of the Fund assets were used to purchase an annuity policy with Aviva ('the Insurer') and all Fund benefits were covered as part of this buy-in transaction. The Trustee continues to be responsible for paying benefits as they fall due and have started the process for getting the Fund ready for a buy-out.

The Trustee confirms that, before preparing this SIP, they have consulted with CalaChem Limited ('the Sponsoring Employer') and the Scheme Actuary and have obtained and considered written advice from the Investment Adviser.

The Trustee is responsible for the investment of the Fund's assets and where it is required to make an investment decision, the Trustee always receives advice from the relevant Advisers first. They believe that this ensures that they are appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000 ('FSMA'), the Trustee sets general investment policy, but has now in effect fully delegated the day-to-day investment of the majority of the Fund's assets to be undertaken by the Insurer. The Fund continues to hold cash in the Trustee bank account, in order to meet the day-to-day settlement of member benefits.

**Fund Governance**

The Trustee is responsible for the governance and investment of the Fund's assets. Following the Trustee's decision to transfer the majority of the Fund's assets to the Insurer as part of the buy-in, the Trustee has in effect fully delegated investment decisions to the Insurer.

The Trustee will review this SIP at least every three years, or following any changes to the investment strategy, and modify it with consultation from the Advisers and the Sponsoring Employer if deemed appropriate. There will be no obligation to change this SIP, the Insurer or the Advisers as part of such a review.

**Suitability**

The Trustee has defined the investment objective and investment strategy with due regard to the Fund's liabilities. Through the transfer of the majority of the Fund's assets to the Insurer, the Trustee has secured the payment of member's benefits.

The Trustee has taken advice from the Advisers to ensure that the buy-in transaction entered into with the Insurer is suitable given its liability profile, the Trustee's objectives, legislative requirements, regulatory guidance and specifications in the trust deed and rules governing the Fund (the Trust Deed).

**Statutory Funding Requirement**

The Trustee will obtain and consider proper advice on the question of whether the investments and investment strategy are satisfactory having regard to both the investment objectives and the requirement to meet any statutory funding requirements.

**Investment Objectives**

The overall objective of the Fund is to meet the benefit payments promised as they fall due. The Trustee have set the following qualitative objectives:

1. The acquisition of suitable assets, having due regard to the risks set out in this Statement, which will generate income and capital growth to pay, together with contributions from members and the Sponsoring Employer, the benefits which the Fund provides as they fall due.
2. 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.
3. To achieve a return on investments which is expected to at least meet the Scheme Actuary's assumptions over the long term.

The purchase of the annuity policy with the Insurer is consistent with the Trustee's overall objective of meeting the members' benefits as they fall due.

**Implementation of investment strategy**

The Trustee has transferred the majority of the Fund's assets to the Insurer.

**Monitoring**

The Trustee is no longer required to monitor the performance of the Fund's assets against the agreed performance objectives as the Trustee has secured the benefits of the Fund in full with the Insurer. The Trustee received advice in ensuring the suitability of the Insurer for the buy-in transaction.

**Corporate Governance and Stewardship**

The majority of the Fund's assets are held by the Insurer, who will invest in a range of asset classes. As such, direct control of the process of engaging with the companies that issue these securities, whether for corporate governance purposes or other financially material considerations, is delegated to the Insurer.

**Realisation of Investments**

The Fund's benefits have been fully secured with the Insurer, through a buy-in policy. The Insurer provides the monies required by the Trustee to meet benefit payments..

**Insurer documentation**

The Trustee and the Insurer have agreed documentation setting out the benefits to be met by the Insurer to ensure members benefits are paid as they fall due.

**Financially material investment considerations**

These considerations can affect the long-term financial performance of investments and can (but do not have to) include environmental, social and governance factors (otherwise known as "ESG") where relevant. The majority of the Fund's assets have been transferred to the Insurer and therefore the Trustee has in effect delegated the day to day consideration of financially material factors when investing the assets used to meet the Fund's benefit payments to the Insurer. All references to ESG relate to financial factors only. All references to ESG also include climate change. The Trustee does not take account of non-financial matters in the selection, retention or realisation of investments.

**Risks**

The Trustee recognises a number of risks involved in the investment of the assets, which could impact on the ability of the Insurer to pay benefits as they fall due.

The Trustee is satisfied that the Insurer takes account of these risks and mitigates them as far as possible when investing the assets used the meet the Fund's benefit payments. Furthermore, the Trustee conducted proper due diligence prior to entering into the buy-in transaction to mitigate as far as possible the risk that members' benefits payments are not met due to the Insurer becoming insolvent.

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| **Signed:…………………………………………**  For and on behalf of the Trustee of the CalaChem Pension Fund | **Date:………………………………………** |