

1 Background

Purpose of Statement	This Statement sets out the principles governing decisions relating to the investment of the assets of the Fluorocarbon Company Limited (1974) Pension Fund (the Scheme).
Nature of Scheme	The Scheme is a defined benefit arrangement set up under trust and registered with HM Revenue and Customs (HMRC).
Compliance with Legislation	The Statement has been prepared to comply with Section 35 of the Pensions Act 1995, Section 244 of the Pensions Act 2004, 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, and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.
Availability to Members	A copy of this Statement will be made available online. Scheme members can also request a copy from the Trustees.
Investment Advice	<p>The Trustees have obtained and considered professional advice on the content of this Statement from Broadstone Corporate Benefits Limited (Broadstone), their appointed investment adviser. Broadstone has confirmed to the Trustees that it has the appropriate knowledge and experience to give the advice required under legislation.</p> <p>The Trustees will obtain such advice as they consider appropriate and necessary whenever they intend to review or revise this Statement.</p>
Consultation with the Sponsoring Employer	<p>The Trustees have consulted the Sponsoring Employer, Fluorocarbon Company Limited, in setting their investment objectives and strategy, and in the preparation of this Statement.</p> <p>Responsibility for maintaining the Statement and determining the Scheme's investment strategy rests solely with the Trustees.</p>
Investment Powers	The Trustees' investment powers are set out in Rule 16A of the Rules dated 17 February 2004, as amended. The powers granted to the Trustees under the Rules are wide and this Statement is consistent with those powers.

2 Investment Objectives

Strength of Employer Covenant

In determining its investment objectives and strategy, the Trustees have considered the strength and ability of the Sponsoring Employer to support the Scheme. The Sponsoring Employer has entered into Administration and as a result, the Scheme is in an Assessment Period for entry into the Pension Protection Fund (PPF).

Key Funding Measure

The Trustees have agreed that the funding position measured relative to the cost of securing PPF compensation levels of benefits via the purchase of a bulk annuity contract is the assessment of Scheme funding that is of most importance.

Investment Objectives

The Trustees' investment objectives are as follows:

- To protect the PPF compensation levels of benefit that can be provided from the Scheme's assets, based on current market prices for securing these benefits.
- To otherwise 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;

3 Principles for Setting the Investment Strategy

Selection of Investments

The Trustees may select investments from a wide range of asset classes from time to time, including, but not restricted to UK equities, overseas equities, government bonds, corporate bonds, commercial property and alternative asset classes, such as hedge funds, private equity and infrastructure.

The investments selected will generally be traded on regulated markets and, where this is not the case, any such investments will be kept to a prudent level.

The Trustees may invest in products that use derivatives where this is for the purpose of risk management or to improve the efficiency of the management of the Scheme's investments.

The Trustees may hold insurance policies such as deferred or immediate annuities which provide income to the Scheme, matching part or all of the future liabilities due from it.

The Trustees may hold a working cash balance for the purpose of meeting benefit payments due to members and the expenses of running the Scheme.

Balance of Investments

The Trustees will set a Target Asset Allocation from time to time, determined with the intention of meeting their investment objectives.

The Target Asset Allocation will be set taking account of the characteristics of different asset classes available and will be reviewed in light of any changes to the Trustees' view of the Sponsoring Employer's covenant, the nature of the Scheme's liabilities or relevant regulations governing pension scheme investment.

Delegation to Investment Managers

The Trustees will delegate the day-to-day management of the Scheme's assets to professional investment manager and will not be involved in the buying or selling of investments.

Realising Investments

The Trustees make disinvestments from the Investment Managers with the assistance of their investment consultants, Broadstone, as necessary, to meet the Scheme's cashflow requirements.

4 Setting the Strategy

Overall Asset Allocation

The Target Asset Allocation for the Scheme's invested assets is as follows:

Asset Class	Target Asset Allocation
Fixed interest gilts	10.4%
Liability Driven Investment (LDI) funds	27.7%
Cash	61.9%
Total	100.0%

The exact allocations to the asset classes will likely vary over time due to the Cash allocation being used to pay benefits and due to market movements. The Fixed interest gilts and LDI funds are held to protect against changes in long-term interest rates and inflation expectations.

In addition, the Scheme owns a commercial property that is currently in the process of being sold.

Investment Managers

The Trustees entered into contracts with Legal & General Investment Management (LGIM) in March 2017. LGIM undertake day-to-day investment management of the Scheme's assets.

The Investment Manager is authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000.

Funds Used

The Trustees use the following funds and strategies operated by the Investment Manager.

Fund
Fixed interest gilts
LGIM Over 15 Year Gilts Index Fund
LDI funds
LGIM Matching Core Funds
Cash
LGIM Sterling Liquidity Fund

Target Hedging Ratios

For the funds which form part of the LDI allocation the target hedging ratios, as a percentage of funded liabilities, are as follows:

	Target Hedging Ratio
Interest rate risk	100%
Inflation risk	100%

Maintaining the Target Asset Allocation and

The Trustees have responsibility for maintaining the overall balance of the asset allocation relative to the Target Asset Allocation and Target Hedging Ratios. The Trustees monitor the asset allocation on a regular basis with the assistance of their adviser, Broadstone, and will consider switching assets as appropriate.

Target Hedging Ratios

Performance Benchmarks and Objectives

The benchmarks and performance objectives for each of the funds available for members to invest in is given below:

Fund name	Benchmark	Performance target
LGIM Over 15 Year Gilts Index Fund	FTSE Actuaries UK Conventional Gilts Over 15 Years Index	To track the benchmark to within $\pm 0.25\%$ p.a. for two years out of three (gross of fees)
LGIM Sterling Liquidity Fund	SONIA	To provide a cash-like return, comparable with the benchmark

The LGIM Matching Core Funds have an objective to provide a prescribed level of hedging against changes in the value of liabilities for a typical defined benefit pension scheme caused by interest rate and inflation risks. The practical method of implementing this level of hedging is delegated to LGIM, with the expectation that LGIM will choose the most cost-effective method.

Investment Management Charges

The annual management charges for each of the funds used, based on the assets under management at the date of this Statement, are given below:

Fund	Annual Management Charge
LGIM Over 15 Years Gilts Index Fund	0.100% p.a.
LGIM Matching Core Funds	0.240% p.a.
LGIM Sterling Liquidity Fund	0.125% p.a.

In addition, LGIM charge a flat fee of £1,000 per annum.

Employer Related Investment

Neither the Scheme nor the Investment Manager directly hold any employer-related investments.

Additional Voluntary Contributions (AVCs)

The Scheme holds funds accumulated in respect of AVCs separately from the assets backing defined benefits using a policy provided by Aviva.

5 Expected Returns and Risks

Overall Return Target To protect the PPF compensation levels of benefit that can be provided from the Scheme's assets, based on current market prices for securing these benefits

Expected Returns Over the long-term, the Trustees' expectations are to achieve the following rates of return from the asset classes they make use of:

Asset Class	Expected return
Fixed Interest Gilts	In line with the market yields available on the relevant underlying securities, assuming that those investments are held to redemption.
Liability Driven Investment (LDI) funds	In line with the sensitivity of the SFO liabilities to changes in interest rates and inflation expectations, allowing for the target level of hedging specified by the Trustees from time to time.
Cash	In line with the yield available on short-term cash deposits and money market instrument

Consideration of Risks The Trustees have considered the various risks that the Scheme faces, including market risk, interest rate risk, inflation risk, default risk, concentration risk, manager risk and currency risk, and considers that the Target Asset Allocation strikes a reasonable balance between risk mitigation and seeking an appropriate level of return, taking account of the Sponsoring Employer's covenant and the long-term nature of the Scheme.

Risk Relative to the Value of the Scheme's Key Funding Measure The Target Asset Allocation has been determined with due regard to the characteristics of the Scheme's Technical Provisions.

The calculation of the Scheme's Technical Provisions uses assumptions for future investment returns and price inflation expectations that are based upon market values of financial securities such as interest rate swaps, government bonds and investment grade corporate bonds. This means that the Technical Provisions are sensitive to changes in the price of these assets as market conditions vary, and can have a volatile value.

The Trustees accept that their investment strategy may result in volatility in the Scheme's funding position. Furthermore, the Trustees also accept that there is a risk that the assets will not achieve the rates of investment return assumed in the calculation of the Scheme's Technical Provisions.

Concentration of Risk and Diversification To reduce the risk of concentration within the portfolio, the Trustees will monitor the overall mix of asset classes and stocks in the investment strategy with their investment adviser, Broadstone.

The Trustees invest in a wide range of asset classes through the funds and strategies they use and consider the Scheme's strategy to be well diversified.

Manager Controls and Custodianship	<p>The day-to-day activities that the Investment Manager carry 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.</p> <p>Safe-keeping of the Scheme's assets held with the Investment Manager is performed by custodians appointed by them.</p>
Manager Security	<p>The Trustees have considered the financial security of the Scheme's holdings with the Investment Manager, together with their status as regulated firms, and consider the associated protection offered as an investor to be reasonable and appropriate.</p>
Monitoring and Management of Risks	<p>The Trustees will monitor the investment and funding risks faced by the Scheme with the assistance of their investment advisers and the Scheme Actuary at least every three years. The Trustees will consider the appropriateness of implementing additional risk mitigation strategies as part of such reviews.</p> <p>In addition, the Trustees will review wider operational risks as part of maintaining their risk register.</p>

6 Responsible Investing, Governance and Engagement

Financially Material Considerations Related to Environmental, Social and Governance 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 delegate responsibility for day-to-day decisions on the selection of investments to the Investment Manager. The Trustees have an expectation that the 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.

Asset Class	Active/Passive	Trustees' views
Fixed interest gilts	Passive	The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.
Liability Driven Investment (LDI) funds	Active	The underlying assets of the LDI solution consist of government bond funds and derivative contracts, with no underlying investee companies as such. Therefore, the Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.
Cash	Active	The Trustees believe there is less scope for the consideration of ESG issues to improve risk-adjusted returns in this asset class because of the nature of the securities.

The Trustees do not currently impose any specific restrictions on the Investment Manager with regard to ESG issues, but will review this position from time to time. The Trustees receive information from the Investment Manager on their approach 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 their 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 to medium term development of the Scheme's funding position than other risks. The Trustees will continue to monitor market developments in this area with their investment adviser.

Views of Members and Beneficiaries

The Scheme is 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.

Engagement and Voting Rights	<p>Responsibility for engagement with the issuers of the Scheme's underlying investment holdings and the use of voting rights is delegated to the Investment Manager. The Trustees can therefore only influence engagement and voting policy indirectly.</p> <p>The Investment Manager provides, on request, information to the Trustees on their actions in relation to engagement and use of voting rights. The Trustees are therefore aware of the policies adopted by the Investment Manager.</p>
Capital Structure of Investee Companies	<p>Responsibility for monitoring the make-up and development of the capital structure of investee companies is delegated to the Investment Manager. The Trustees expect the extent to which the Investment Manager monitor capital structure to be appropriate to the nature of the mandate.</p>
Conflicts of Interest	<p>The Trustees maintain a separate conflicts of interest policy and register.</p> <p>Subject to reasonable levels of materiality, these documents record any actual or potential conflicts of interest in relation to investee companies or the Investment Manager, while also setting out a process for their management.</p>
Incentivisation of Investment Managers	<p>The Investment Manager is remunerated based on an agreed fixed annual percentage of the asset value for each underlying fund, as well as an annual fixed fee.</p> <p>The Trustees do not directly incentivise the Investment Manager to align the approach they adopt for a particular fund with the Trustees' policies and objectives. Instead, the Investment Manager and the funds are selected so that, in aggregate, the returns produced are expected to meet the Trustees' objectives.</p> <p>Neither do the Trustees directly incentivise the Investment Manager 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 Trustees expect such assessment of performance and engagement to be undertaken as appropriate and necessary to meet the investment objectives of the funds used by the Scheme.</p>

7 Review and Monitoring

Frequency of Review

The Trustees will review this Statement at least every three years or if there is a significant change in the Scheme's circumstances or the regulations that govern pension scheme investment.

Monitoring the Investment Strategy and Managers

The Trustees employ Broadstone to assist them in monitoring the performance of the Scheme's investment strategy and Investment Manager.

The Trustees receive quarterly reports from the Investment Manager and meet with their representatives periodically to review their investment performance and processes.

The Trustees and Broadstone will monitor the Investment Manager's performance against their performance objectives.

The appropriateness of the Investment Manager's remuneration will be assessed relative to market costs for similar strategies, the skill and resources required to manage the strategy, and the success or otherwise the manager has had in meeting its objectives, both financial and non-financial.

Portfolio Turnover Costs

The Trustees expect 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 for their strategy or the underlying funds.

The Investment Manager provides information on portfolio turnover and associated costs to the Trustees so that this can be monitored, as appropriate.

Review of Investment Managers and AVC provider

The Trustees will consider on a regular basis whether or not the Investment Manager and AVC provider remain appropriate to continue to manage the Scheme's investments and AVCs.

Information from Investment Managers

The Investment Manager will supply the Trustees with sufficient information each quarter to enable them to monitor financial and non-financial performance.

Name

Date

27 July 2022

**On behalf of Fluorocarbon Holdings Limited as Trustee of the Fluorocarbon Company Limited
(1974) Pension Fund**

Name

Alex Davies

Date

26 July 2022

**On behalf of PSGS Trust Corporation Limited as Trustee of the Fluorocarbon Company Limited
(1974) Pension Fund**