Marshall Group Executive Pension Plan

Statement of Investment Principles

March 2023

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1 Introduction

Plan background

- This Statement of Investment Principles (the “Statement”) details the principles governing investment decisions for the Marshall Group Executive Pension Plan (the “Plan”).
- The Plan:
  - operates for the exclusive purpose of providing retirement and death benefits to eligible participants and beneficiaries,
  - provides benefits calculated on both a defined benefit (DB) and a defined contribution (DC) basis.
- The Trustees have secured a bulk purchase annuity policy that is expected to provide members’ benefits.
- Buck is investment consultant to the Trustees.

Regulatory requirements and considerations

- This statement covers the requirements of, and the Plan’s compliance with, the provisions of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005 as well as reflects the Pensions Regulator’s investment guidance for trustees running pension schemes that offer defined benefits issued in March 2017 and subsequently updated.
- In respect of the DC Section (and additional voluntary contributions provided on a money-purchase basis within the DB Section), the Trustees have taken into account the requirements and recommendations within the Pension Regulator’s DC code and regulatory guidance. Information on the Trustees’ approach to investment matters within the DC section, and in particular in setting the default arrangement, is included within this document.

2 Statement of Investment Principles

Introduction

- This section of the Statement covers the requirements of the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005. It is divided into three sub-sections:
  - General Section
  - DB Section
  - DC Section
- In accordance with section 35 of the Pensions Act 1995, the Trustees have reviewed and considered written advice from the investment consultant prior to the preparation of this Statement and have consulted the Sponsoring Employer.
- The Trustees will review this Statement, in consultation with the investment consultant and the Sponsoring Employer, at least once every three years, or more frequently if there are any significant changes in the Plan's circumstances. However, ultimate power and responsibility for deciding investment policy lies solely with the Trustees.

General Section

- This section of the Statement contains information relating to both the DB and the DC Sections.

Kind of investments to be held

- The Trustees have full regard to their investment powers under the Trust Deed and Rules and the suitability of the various types of investments, the need to diversify, the custodianship of assets and any self-investment.
- The Plan may invest in quoted and unquoted securities of UK and overseas markets including equities, fixed interest and index-linked bonds, cash, property, private equity, hedge funds, insurance policies and pooled investment vehicles considered appropriate for tax-exempt registered occupational pension schemes. The Trustees have considered the attributes of the various asset classes (including derivative instruments), these attributes being:
  - security (or quality) of the investment,
  - yield (expected long-term return),
  - spread (or volatility) of returns,
  - term (or duration) of the investment,
  - exchange rate risk,

  - marketability/liquidity (i.e., the tradability on regulated markets),
  - taxation.

- The Trustees consider all of the stated classes of investment to be suitable to the circumstances of the Plan.

- The majority of the Plan's DB section assets are invested in a Bulk Purchase Annuity policy, with the residual assets to be disinvested from the Barings Private Loan Fund and held as cash

- The Trustees have invested in a Bulk Purchase Annuity to insure all economic and longevity risk associated with the liabilities of all members covered by the policy with an insurance company that is financially strong

Realisation of investments

- In the event of an unexpected need to realise all or part of the assets of the portfolio, the Trustees require the investment managers of the Plan's DC section assets and residual DB section assets to be able to realise the Plan's investments in a reasonable timescale by reference to the market conditions existing at the time the disposal is required and subject to the best interests of the Plan. The majority of the assets are not expected to take an undue time to liquidate.

- The Bulk Purchase Annuity held in the name of the Plan is an illiquid investment and cannot be surrendered, sold or "cashed-in" in the future. It is an asset that will be held in perpetuity until the last payment is made or such time as it is converted to individual buy-out policies for insured members on buy-out.

Financially material considerations

- The Trustees expect their investment managers, where appropriate, to have taken account of financially material considerations, including environmental, social and governance (ESG) factors as part of their investment analysis and decision-making process.

- The fund range for the DC Section includes a socially responsible equity fund, the SL Vanguard SRI Global Stock Pension Fund.

Non-financial matters

- The Trustees consider from time to time whether to take account of non-financial matters.

- Non-financial matters may be taken into account if the Trustees have good reason to think that the members would share the concern; and that the decision does not involve a risk of significant detriment to members' financial interests.

- The fund range for the DC Section includes a Shariah compliant fund, the SL HSBC Islamic Global Equity Index Pension Fund.

Stewardship in relation to the Plan's assets

- The Trustees have a fiduciary duty to consider their approach to the stewardship of the investments, to maximise financial returns for the benefit of members and beneficiaries over the long term. Trustees can promote an investment's long-term success through monitoring, engagement and/or voting, either directly or through their investment managers.

- The Trustees' policy is to delegate responsibility for engaging and monitoring investee companies to the investment managers and they expect the investment managers to use their discretion to maximise financial returns for members and others over the long term.

- The Trustees' policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers and to encourage the managers to exercise those rights.

- The Trustees recognise that the DB section's existing investment strategy provides only limited potential to influence engagement due to the nature of the assets and time horizon

Investment Decisions

- Investment decisions are taken by the Trustee Board as a whole.

- All investment decisions relating to the Plan are under the Trustees' control without constraint by the Sponsoring Employer. The Trustees are obliged to consult with the Sponsoring Employer when changing this Statement.

- Day-to-day investment decisions are delegated to properly qualified and authorised investment managers of pension scheme portfolios. Investment management agreements and/or insurance contracts have been exchanged with the investment managers and platform provider, and are reviewed from time-to-time to ensure that the manner in which they make investments on the Trustees' behalf is suitable for the Plan, and appropriately diversified.

Investment Manager Monitoring

- The Trustees will assess the performance, processes and cost effectiveness of the investment managers by means of regular, but not less than annual, reviews of investment performance and other information, in consultation with the investment consultant and the actuary.

- All investment decisions, and the overall performance of the investment managers, are monitored by the Trustees with the assistance of the investment consultant.

- The investment managers and/or platform provider will provide the Trustees with quarterly statements of the assets held along with a quarterly report on the results of the past investment policy and the intended future policy, and any changes to the investment processes applied to their portfolios. The investment managers will also attend meetings at the request of the Trustees to provide investment updates.

- The investment managers and/or platform provider will inform the Trustees of any changes in the internal performance objective and guidelines of any pooled funds used by the Plan as and when they occur.

- The Trustees will assess the quality of the performance and processes of the investment managers by means of a review at least once every three years in consultation with the investment consultant.

- Appropriate written advice will be taken from the investment consultant before the review, appointment or removal of the investment managers.

The Trustees' policy in relation to their investment managers

In detailing below the policies on the investment manager arrangements, the over-riding approach of the Trustees is to select investment managers that meet the objectives of the Trustees. As part of the selection process and the ongoing review of the investment managers, the Trustees consider how well each investment manager meets the Trustees' policies and provides value for money over a suitable timeframe.

- How the arrangement incentivises the investment manager to align its investment strategy and decisions with the Trustees' policies

    - The Trustees have delegated the day to day management of the majority of the Plan's assets to investment managers. The Plan's assets are invested in pooled funds which have their own policies and objectives and charge a fee, agreed with the investment manager, for their services. Such fees incentivise the investment managers to adhere to their stated policies and objectives.

- How the arrangement incentivises the investment manager to engage and take into account financial and non-financial matters over the medium to long-term

    - The Trustees, in conjunction with their investment consultant, appoint their investment managers and choose the specific pooled fund to use in order to meet specific Plan policies. They expect that their investment managers make decisions based on assessments about the financial and non-financial performance of underlying investments, and that they engage with issuers of debt or equity to improve their performance (and thereby the Plan's performance) over an appropriate time horizon.

- How the method (and time horizon) of the evaluation of the investment manager's performance and the remuneration for asset management services are in line with the Trustees' investment policies

    - The Trustees expect their investment managers to invest the assets within their portfolio in a manner that is consistent with the guidelines and constraints set out in their appointment documentation. The Trustees review the investment managers periodically. These reviews incorporate benchmarking of performance and fees. Reviews of performance focus on longer-term performance (to the extent that is relevant), e.g. looking at five years of performance.

    - If the Trustees determine that the investment manager is no longer managing the assets in line with the Trustees' policies, they will make their concerns known to the investment manager and may ultimately disinvest.

    - The Trustees pay their investment managers a management fee which is a fixed percentage of assets under management. In addition, for Barings, a performance fee is payable.

    - Prior to agreeing a fee structure, the Trustees, in conjunction with their investment consultant, consider the appropriateness of this structure, both in terms of the fee level compared to that of other similar products and in terms of the degree to which it will incentivise the investment manager.

- How the Trustees monitor portfolio turnover costs incurred by the investment manager, and how they define and monitor targeted portfolio turnover or turnover range

    - The Trustees, in conjunction with their investment consultant, have processes in place to review investment turnover costs incurred by the Plan on an annual basis. The Trustees receive a report which includes the turnover costs incurred by the investment managers used by the Plan.

- The Trustees expect turnover costs of the investment managers to be in line with their peers, taking into account the style adopted by the investment manager, the asset class invested in and prevailing market conditions.

- The Trustees do not explicitly monitor turnover, set target turnover or turnover ranges. The Trustees believe that the investment managers should follow their stated approach with a focus on risk and net return, rather than on turnover. In addition, the individual mandates are unique in nature and there is the potential for markets to change significantly over a short period of time.

- The duration of arrangements with investment managers

    - The Trustees do not in general enter into fixed long-term agreements with their investment managers and instead retain the ability to change investment manager should the performance and processes of the investment manager deviate from the Trustees' policies. However, the Trustees expect their manager appointments to have a relatively long duration, subject to the manager adhering to its stated policies, and the continued positive assessment of its ability to meet its performance objective.

    - The Bulk Purchase Annuity policy entered into by the Trustee cannot be surrendered and is an asset that will be held until the last benefit payment is made or such time as it is converted to individual buyout policies for insured members on buyout.

Performance Monitoring

- Each of the funds in which the Plan invests has a stated performance objective against which the performance is measured,

- The Trustees will review the performance of the investment managers from time to time, based on the results of their performance and investment process,

- The investment managers and platform provider are expected to provide written reports on a quarterly basis, and

- The Trustees receive an independent investment performance monitoring report from their investment consultant on at least an annual basis.

DB Section

- This section of the Statement contains information relating only to the DB Section of the Plan.

Investment Objectives and Suitability of Investments:

- The Plan's investment strategy has been agreed by the Trustees having taken advice from the investment consultant and takes due account of the Plan's liabilities.

- The agreed investment strategy involves the pensioner and deferred member liabilities being secured by a Bulk Purchase Annuity policy with Aviva Life & Pensions UK Limited ("Aviva")

- In addition, the Trustee also holds private corporate debt managed by Barings, which will be used to meet further payments, including repayment of the liquidity loan from the Plan's Sponsor Marshall of Cambridge (Holdings) Limited, as agreed by the Trustees.

- The Trustees' primary objectives are:

  – to provide appropriate security for all beneficiaries,

  – to achieve an appropriate balance between risk and return with regards to the cost of the Plan and the security of the benefits.

- In order to achieve these objectives, the Trustees have agreed the following framework for setting the Plan's investment strategy:

  – Seek to keep things relatively simple

  – Completion of buyout without requiring a material 'top-up' from the Sponsor

- In accordance with the Financial Services & Markets Act 2000, the Trustees are responsible for setting the general investment policy, but the responsibility for all day-to-day investment management decisions has been delegated to investment manager authorised under the Act. Details are included in a separate document.

- The Trustees are responsible for reviewing both the Plan's asset allocation and investment strategy as part of each actuarial valuation in consultation with the Plan's investment consultant. The Trustees may also reconsider the asset allocation and the investment strategy outside the triennial valuation period where necessary.

Diversification

- Subject to their respective benchmarks and guidelines the investment manager of the residual assets is given full discretion over the choice of stocks and are expected to maintain diversified portfolios.

- The Trustees are satisfied that the investments selected are consistent with their investment objectives.

- Given the size and nature of the Plan, the Trustees have decided to invest the Plan's assets on a pooled fund basis. All such investments are effected through direct agreements with investment managers and/or through insurance contracts.

Risk

- In determining their investment strategy, the Trustees received advice from the investment consultant to proceed with a Bulk Purchase Annuity and on the disinvestment of the Plan's residual assets.

- Although the Bulk Purchase Annuity removes many of the risks, the Trustees recognise some risks remain, namely the risk:

  – Of the insurance provider failing to provide the desired benefit payments

  – The potential for an additional premium to be paid to the Bulk Annuity Provider in the event material changes are required to the data or benefits insured within 12 months of the policy inception date.

  - Of the residual cash held by the Plan being insufficient to meet residual obligations.

  - Of failure of the Plan's Sponsoring Employer to meet its obligations.

- The Trustees manage and measure these risks on a regular basis via actuarial and investment reviews, and in the setting of investment objectives and strategy.

- The Trustees undertake monitoring of the investment manager's performance against their targets and objectives on a regular basis.

- The remaining fund in which the Plan invests has a stated performance objective by which investment performance will be measured.

Expected return on investments

- The investment strategy is believed to be capable of meeting, in the long run, the overall required rate of return in order to maintain a fully funded status.

DC Section

- This section of the Statement contains information relating only to the DC Section of the Plan.

Investment Objectives and Suitability of Investments

- The Trustees believe that fund selection is an important decision for all members since it is likely to have an important influence on the risk taken and return achieved on members' pension savings.

- However, the Trustees also recognise that in practice many members did not actively make an investment choice and are instead invested in the default option. The Trustees therefore recognise the importance of the default option for the Plan's membership.

- Ultimately each member should take into account their own personal circumstances when determining whether the default option or an alternative strategy would best meet their needs.

- The default option has been designed having taken due regard to the membership profile of the Plan, including consideration of:

  – the size of members' retirement savings within the Plan,

  – members' current level of income and hence their likely expectations for income levels post retirement,

  – the fact that members may have other retirement savings invested outside of the Plan, and

  – the ways members may choose to use their savings to fund their retirement.

- The current default option was originally designed taking into account the membership profiles of two other Marshall DC Schemes with which this Plan was historically associated, in recognition of the efficiencies of scale and ultimate benefit to members achieved by investing all three schemes' assets in a similar way. The Trustees are comfortable that this option remains appropriate when considering this Plan as a stand-alone entity and will further tailor the strategy, as appropriate, to reflect the Plan's own membership, as part of future strategy reviews.

- These factors have also been considered when setting the range of alternative investment options from which members can choose.

- The objective of the default option is to provide a balanced investment strategy for members who did not make an active investment choice. The strategy aims to maximise the level of return (net of fees) that a member could expect to receive from the Plan over the course of their working lifetime, while reducing the risk of them having income provision in retirement significantly below what may reasonably be expected.

- The objective of the alternative investment options available is to allow members to tailor their investments based on their individual investment requirements, while avoiding complexity. The range should assist members in achieving the following:

  – maximising the value of retirement benefits, to ensure a reasonable standard of living in retirement,

  - protecting the value of benefits in the years approaching retirement against equity market falls and (should they decide to purchase an annuity) fluctuations in annuity costs, and
  - tailoring a member's investments to meet his or her own needs, and to how the member intends to make use of their benefits at and through retirement.

- The Trustees recognise that members using the default option may be less financially aware than those using self-select options and have taken this into account in the strategy design.
- The Trustees' investment consultant provides advice regarding the suitability of both the default option and the self-select options available.
- Details of the default is shown in the appendices.
- Members are advised to take independent financial advice before choosing between these funds.
- The Trustees are satisfied that the funds offered to members and the appointed investment managers are consistent with the objectives of the Plan, particularly in relation to diversification, risk, expected return and liquidity.

Balance between different types of investments

- The investment manager(s) will maintain a diversified portfolio of securities within each of the funds offered under the Plan (both within the default and self-select options).

In addition, the design of the default option provides further diversification through the use of multiple funds throughout a member's working lifetime.

Risk

- The Trustees have considered risk from a number of perspectives. These are the risk that:
  - the investment return over members' working lives will not keep pace with inflation and does not, therefore, secure an adequate retirement income,
  - investment market movements in the period prior to retirement lead to a substantial reduction in the anticipated level of pension or other retirement income,
  - investment market movements in the period just prior to retirement lead to a substantial reduction in the anticipated tax-free cash, or other cash lump sum benefit,
  - the default option is not suitable for members who invest in it, and
  - fees and transaction costs reduce the return achieved by members by an inappropriate extent.
- The investment strategy for the default option has been chosen with the aim of reducing these risks. The self-select funds available have been chosen to provide members with the flexibility to address these risks for themselves.
- To help address these risks, the Trustees also review the default option used and the fund range offered at least every three years, taking into account changes to

the membership profile, developments within DC markets (including both product development and trends in member behaviour) and changes to legislation.

Expected Return on investments

- The default option is expected to provide an appropriate return on members' investments, based on the Trustees' understanding of the Plan's membership and having taken into account the risk considerations set out above. The Trustees have also considered the return expectations of each of the alternative fund options offered.

Realisation of investments

- Investments within the DC section (including in the default option), are subject to the same realisation requirements as set out in the General Section of this Statement.

Social, Environmental and Ethical Issues

- Social, environmental and ethical issues for the DC section (including for the default option) are considered as set out in the General Section of this Statement.

3 Appointments & Responsibilities

This section sets out the key appointments and responsibilities with respect to the investment aspects of the Plan.

Trustees

The Trustees' primary responsibilities include:

- preparation of this Statement, reviewing its contents and modifying it if deemed appropriate, in consultation with the Sponsoring Employer and the investment consultant, at least every three years. The Statement will also be reviewed following a significant change to investment strategy and/or the investment managers,

- appointing investment consultants and investment managers as necessary for the good stewardship of the Plan's assets,

- reviewing the DB Section's investment strategy as part of each triennial actuarial valuation, and/or asset liability modelling exercise, and/or significant changes to the Plan's liabilities, taking advice from the investment consultant and actuary,

- reviewing the DC Section's investment strategy every three years and/or following any significant changes to the DC Section's membership, taking advice from the investment consultant,

- assessing the processes (and therefore the performance) of the investment managers by means of regular, but not less than annual, reviews of information obtained (including investment performance),

- monitoring compliance of the investment arrangements with this Statement on a regular basis, and

- monitoring risk and the way in which the investment managers have cast votes on behalf of the Trustees in respect of the Plan's equity holdings.

Investment Consultant

The main responsibilities of the investment consultant include:

- assisting the Trustees in the preparation and periodic review of this Statement in consultation with the Sponsoring Employer and the actuary,

- undertaking project work including reviews of investment strategy, investment performance and manager structure as required by the Trustees,

- advising the Trustees on the selection and review of the investment managers,

- providing training or education on any investment related matter as and when the Trustees see fit, and

- monitoring and advising upon where contributions should be invested or disinvested on a periodic basis.

Bulk Purchase Annuity provider

The Bulk Purchase Annuity provider's main responsibilities include:

- Updating Plan data and benefits as agreed with the Trustees under the terms of the policy.

- Providing monthly payments to the Trustees of Specified Benefits in respect of Insured Beneficiaries and Dependants covered under the terms of the policy.

Investment Managers

The investment managers' main responsibilities include:

- investing assets in a manner that is consistent with the objectives set,

- ensuring that investment of the Plan's assets is compliant with prevailing legislation and the constraints detailed in this Statement,

- providing the Trustees (or platform provider, as appropriate) with quarterly reports including any changes to their investment process and a review of the investment performance,

- attending meetings with the Trustees as and when required,

- informing the Trustees (or platform provider, as appropriate) of any changes in the fee structure, internal performance objectives and guidelines of any pooled fund used by the Plan as and when they occur, and

- exercising voting rights on shareholdings in accordance with their general policy.

Custodian

The custodians used are responsible for the safe-keeping of the Plan's assets.

- The custodianship arrangements are those operated by the investment managers for all clients investing in their pooled funds.

Administrators

The administrator's primary responsibilities are the day to day administration of the Plan and the submission of specified statutory documentation, as delegated by the Trustees.

- The Plan's administrator is Buck for the DB Section while services are transitioned to the Bulk Purchase Annuity provider. Standard Life Assurance Limited and Aviva Life & Pensions UK Limited provide administration services to the Plan for the DC Section.

Scheme Actuary

The Scheme Actuary's main responsibilities in respect of investment policy include:

- commenting on the suitability of the Plan's investment strategy given the financial characteristics of the Plan; and

- performing the triennial (or more frequently as required) actuarial valuation and advising on the Plan's funding level and therefore the appropriate level of contributions in order to aid the Trustees in balancing short-term and long-term investment objectives.

- Assessing the funding position of the Plan and advising on the appropriate response to any shortfall.

The Scheme Actuary is Paul Butfield of Buck.

Signed on behalf of the Trustees of the Plan:

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Name Signature

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Date