

John Smedley Staff Pension and Life Assurance Scheme

Statement of Investment Principles (“SIP”)

Purpose of this Statement

This SIP has been prepared by the John Smedley Staff Pension and Life Assurance Scheme (the “Scheme”). This statement sets out the principles governing the Trustee’s decisions to invest the assets of the Scheme.

The Scheme’s investment strategy is derived from the Trustee’s investment objectives. The objectives have been taken into account at all stages of planning, implementation and monitoring of the investment strategy.

Details on the Scheme’s investment arrangements are set out in the Investment Implementation Document (“IID”).

Governance

The Trustee of the Scheme make all major strategic decisions including, but not limited to, the Scheme’s asset allocation and the appointment and termination of investment managers.

When making such decisions, and when appropriate, the Trustee takes proper written advice. The Trustee believes that its investment advisers, Isio, are qualified by their ability in, and practical experience, of financial matters, and have the appropriate knowledge and experience. The investment advisers’ remuneration may be a fixed fee or based on time worked, as negotiated by the Trustee in the interests of obtaining best value for the Scheme.

Investment objectives

The Trustee invests the assets of the Scheme with the aim of ensuring that all members’ current and future benefits can be paid. The Scheme’s funding position will be reviewed on an ongoing basis to assess the position relative to the funding target and whether the investment arrangements remain appropriate to the Scheme’s circumstances. The Scheme’s funding target is specified in the Statement of Funding Principles.

The Scheme’s present investment objective is to achieve a return of around 0.7% per annum above the return on a liability matching portfolio of UK Government bonds.

Investment strategy

The Trustee takes a holistic approach to considering and managing risks when formulating the Scheme’s investment strategy.

The Scheme’s investment strategy was derived following careful consideration of the factors set out in Appendix A. The considerations include the nature and duration of the Scheme’s liabilities, the risks of investing in the various asset classes, the implications of the strategy (under various scenarios) for the level of employer contributions required to fund the Scheme, and also the strength of the sponsoring company’s covenant. The Trustee considered the merits of a range of asset classes.

The Trustee recognises that the investment strategy is subject to risks, in particular the risk of a mismatch between the performance of the assets and the calculated value of the liabilities.

This risk is monitored by regularly assessing the funding position and the characteristics of the assets and liabilities. This risk is managed by investing in assets which are expected to perform in excess of the liabilities over the long term, and also by investing in a suitably diversified portfolio of assets with the aim of minimising (as far as possible) volatility relative to the liabilities.

The assets of the Scheme consist predominantly of investments which are traded on regulated markets.

Investment Management Arrangements

The Trustee has appointed Mobius Life as the platform provider. The Trustee then selects the underlying investment funds. Both Mobius Life and the investment managers of the investment funds are regulated under the Financial Services and Markets Act 2000.

All decisions about the day-to-day management of the assets have been delegated to the investment managers via a written agreement. The delegation includes decisions about:

- Selection, retention and realisation of investments including taking into account all financially material considerations in making these decisions;
- The exercise of rights (including voting rights) attaching to the investments;
- Undertaking engagement activities with investee companies and other stakeholders, where appropriate.

The Trustee takes investment managers' policies into account when selecting and monitoring managers. The Trustee also takes into account the performance targets the investment managers are evaluated on. The investment managers are expected to exercise powers of investment delegated to them, with a view to following the principles contained within this statement, so far as is reasonably practicable.

The investment managers' remuneration is based upon a percentage value of the assets under management.

As the Scheme's assets are invested in pooled vehicles, the custody of the holdings is arranged by the investment manager.

Investment Manager Monitoring and Engagement

The Trustee monitors and engages with the Scheme's investment managers and other stakeholders on a variety of issues. Below is a summary of the areas covered and how the Trustee seeks to engage on these matters with investment managers.

| Areas for engagement | Method for monitoring and engagement | Circumstances for additional monitoring and engagement |
|----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Performance, Strategy and Risk | <ul style="list-style-type: none">• The Trustee receives a quarterly performance report from the platform provider which details information on the underlying investments' performance, strategy and overall risks, which are considered at the relevant Trustee meeting. | <ul style="list-style-type: none">• There are significant changes made to the investment strategy.• Underperformance vs the performance objective over the period that this objective applies. |
| Environmental, Social, Corporate Governance factors and the exercising of rights | <ul style="list-style-type: none">• The Trustee's investment managers provide annual reports on how they have engaged with issuers regarding social, environmental and corporate governance issues.• The Trustee receives information from its investment advisers on the investment managers' approaches to engagement.• The Trustee will engage, via its investment adviser, with investment managers and/or other relevant persons about relevant matters at least annually. | <ul style="list-style-type: none">• The manager has not acted in accordance with its policies and frameworks.• The manager's policies are not in line with the Trustee's policies in this area. |

Through the engagement described above, the Trustee will work with its investment advisors and/or managers to improve their alignment with the above policies. Where sufficient improvement is not observed, the Trustee will review the relevant investment manager's appointment and will consider terminating the arrangement.

Employer-related investments

The policy of the Trustee is not to hold any employer-related investments as defined in the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 except where the Scheme invests in collective investment schemes that may hold employer-related investments. In this case, the total exposure to employer-related investments will not exceed 5% of the Scheme's total asset value. The Trustee will monitor this on an ongoing basis to ensure compliance.

Direct investments

Direct investments, as defined by the Pensions Act 1995, are products purchased without delegation to an investment manager through a written contract. When selecting and reviewing any direct investments, the Trustee will obtain appropriate written advice from its investment advisers.

Compliance

This Statement has been prepared in compliance with the Pensions Act 1995, the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005. Before preparing or subsequently revising this Statement, the Trustee consulted the sponsoring company and took appropriate written advice. The Statement is reviewed at least every three years, and without delay after any significant change in the investment arrangements.

Signed:

5 March 2025

Date:.....

Appendix A – Risks, Financially Material Considerations (including ESG and climate change) and Non-Financial matters

A non-exhaustive list of risks and financially material considerations that the Trustee has considered and sought to manage is shown below.

The Trustee adopts an integrated risk management approach. The three key risks associated within this framework and how they are managed are stated below:

| Risks | Definition | Policy |
|--------------|-------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Investment | The risk that the Scheme's position deteriorates due to the assets underperforming. | <ul style="list-style-type: none">• Selecting an investment objective that is achievable and is consistent with the Scheme's funding basis and the sponsoring company's covenant strength.• Investing in a diversified portfolio of assets. |
| Funding | The extent to which there are insufficient Scheme assets available to cover ongoing and future liability cash flows. | <ul style="list-style-type: none">• Funding risk is considered as part of the investment strategy review and the actuarial valuation.• The Trustee will agree an appropriate basis in conjunction with the investment strategy to ensure an appropriate journey plan is agreed to manage funding risk over time. |
| Covenant | The risk that the sponsoring company becomes unable to continue providing the required financial support to the Scheme. | <ul style="list-style-type: none">• When developing the Scheme's investment and funding objectives, the Trustee takes account of the strength of the covenant ensuring the level of risk the Scheme is exposed to is at an appropriate level for the covenant to support. |

The Scheme is exposed to a number of underlying risks relating to the Scheme's investment strategy, these are summarised below:

| Risk | Definition | Policy |
|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Interest rates and inflation | The risk of mismatch between the value of the Scheme assets and present value of liabilities from changes in interest rates and inflation expectations. | To hedge 100% of interest and inflation risks on a Technical Provisions basis. |
| Liquidity | Difficulties in raising sufficient cash when required without adversely impacting the fair market value of the investment. | To maintain a sufficient allocation to liquid assets so that there is a prudent buffer to pay members benefits as they fall due (including transfer values). |

| | | |
|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Market | Experiencing losses due to factors that affect the overall performance of the financial markets. | To remain appropriately diversified and hedge away any unrewarded risks, where practicable. |
| Credit | Default on payments due as part of a financial security contract. | To diversify this risk by investing in a range of credit markets across different geographies and sectors. |
| Environmental, Social and Governance | Exposure to Environmental, Social and Governance factors, including but not limited to climate change, which can impact the performance of the Scheme's investments. | To appoint managers who satisfy the following criteria, unless there is a good reason why the manager does not satisfy each criteria: 1. Has a Responsible Investment ('RI') Policy / Framework 2. ESG factors implemented via Investment Process 3. A track record of using engagement and any voting rights to manage ESG factors 4. ESG specific reporting 5. UN PRI signatory |
| Currency | The potential for adverse currency movements to have an impact on the Scheme's investments. | To invest in GBP denominated share classes where possible. |
| Non-financial | Any factor, saved from the above, that is not expected to have a financial impact on the Scheme's investments. | Such non-financial matters are not taken into account in the selection, retention or realisation of investments. |

Appendix B

The Trustee has the following policies in relation to the investment management arrangements for the Scheme:

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| How the investment managers are incentivised to align their investment strategy and decisions with the Trustee's policies. | <ul style="list-style-type: none">As the Scheme is invested in pooled funds, there is not scope for these funds to tailor their strategy and decisions in line with the Trustee policies. However, the Trustee invests in a portfolio of pooled funds that are aligned to the strategic objective. |
| How the investment managers are incentivised to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with them to improve performance in the medium to long-term. | <ul style="list-style-type: none">The Trustee reviews the investment managers' performance relative to medium and long-term objectives as documented in the investment management agreements.The Trustee does not incentivise the investment managers to make decisions based on non-financial performance. |
| How the method (and time horizon) of the evaluation of investment managers' performance and the remuneration for their services are in line with the Trustee's policies. | <ul style="list-style-type: none">The Trustee reviews the performance of all of the Scheme's investments on a net of cost basis to ensure a true measurement of performance versus investment objectives. |
| The method for monitoring portfolio turnover costs incurred by investment managers and how they define and monitor targeted portfolio turnover or turnover range. | <ul style="list-style-type: none">The Trustee does not directly monitor turnover costs. However, the investment managers are incentivised to minimise costs as they are measured on a net of cost basis. |
| The duration of the Scheme's arrangements with the investment managers. | <ul style="list-style-type: none">The duration of the arrangements is considered in the context of the type of fund the Scheme invests in.<ul style="list-style-type: none">As all of the fund are open ended, the duration is flexible and the Trustee will from time-to-time consider the appropriateness of these investments and whether they should continue to be held. |
| Voting Policy - How the Trustee expects investment managers to vote on its behalf. | <ul style="list-style-type: none">The Trustee has acknowledged responsibility for the voting policies that are implemented by the Scheme's investment managers on its behalf. |
| Engagement Policy - How the Trustee will engage with investment managers, direct | <ul style="list-style-type: none">The Trustee has acknowledged responsibility for the engagement policies that are implemented by the Scheme's investment managers on its behalf. |

assets and others about ‘relevant matters’.

- The Trustee, via its investment advisers, will engage with managers about ‘relevant matters’ at least annually.

John Smedley Staff Pension and Life Assurance Scheme

Investment Implementation Document (“IID”)

This Investment Implementation Document (“IID”) covers John Smedley Staff Pension and Life Assurance Scheme (the “Scheme”) and details the policy of the Trustee relating to the implementation of the Scheme’s investment arrangements, based on the principles set out in the Scheme’s Statement of Investment Principles (“SIP”) dated 5 March 2025....

Investment strategy

The Scheme’s current investment strategy is invested according to the following broad asset allocation⁽¹⁾:

| Asset Class | Proportion (%) | Expected Return(relative to fixed interest gilts) % |
|---------------------------------|-----------------------|------------------------------------------------------------|
| Multi-Asset Credit (lower risk) | 10.0 | 2.6 |
| Asset-Backed Securities | 25.0 | 1.6 ⁽²⁾ |
| Gilts and Index-Linked Gilts | 65.0 | 0.0 |
| Total | 100.0 | 0.7 |

Notes: 10 year assumptions as at 30 September 2024 relative to Bank of England 10 Year Gilts (net of management fees)

(1) Figures accurate as at the date of this IID.

(2) Weighted average expected return for lower and higher risk ABS portfolios. Lower risk and higher risk are relative descriptions within the asset class category only, with no wider meaning.

The expected returns shown in the above table represent long-term expectations of asset classes as a whole. Short-term returns in some asset classes may exhibit considerable variability.

Investment structure and mandates

The Trustee has appointed Mobius Life as the platform provider. The investment strategy and underlying funds are summarised in the table below. Custody is undertaken within each pooled fund. All the investment managers are regulated under the Financial Services and Markets Act 2000.

| Investment Manager | Proportion % |
|-----------------------------------------|---------------------|
| M&G Total Return Credit Investment Fund | 10.0 |
| Aegon European ABS Fund | 15.0 |
| Insight Liquid ABS Fund | 10.0 |
| LGIM Gilts and Index-Linked Gilts Funds | 65.0 |
| Total | 100.0 |

Mobius Life (Platform Provider)

| Asset class | Fees |
|--------------------|-------------|
| Other funds | 0.050% |

Note: All Schemes with assets under £150m will incur an additional policy administration fee of £3,000 p.a. for admin costs, this is accrued and taken quarterly. The policy administration fee is reviewed on 1 November every year in line with the annual Consumer Price Index.

Mandate objectives and fees (p.a.)

| Asset Class | Manager | Objective | Fees % |
|------------------------------|----------------|-----------------------------------------------------------------------------------------------|---------------|
| Multi-Asset Credit | M&G | To outperform 1 month SONIA by 3.0% to 5.0% p.a. (gross of fees) over a rolling 3-year period | 0.40 |
| Asset-Backed Securities | Aegon | To match the performance of the Barclays Euro ABS Fixed and Floating Index (EUR) | 0.25 |
| | Insight | 1 month SONIA plus 0.5% p.a. (net of fees) | 0.20 |
| Gilts and Index-Linked Gilts | LGIM | Liability matching | 0.04 |
| Total | | | 0.14% |

Notes: Fees are shown as Total Expense Ratio (TER).

Signed:

5 March 2025

Date:.....