Statement of Investment Principles

For the Trustees of the Taylor Maxwell Group Limited Pension and Assurance Scheme (DB and DC Sections)

January 2022

Contents

01 **Introduction**

Purpose

This document constitutes the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995 for the Taylor Maxwell Group Limited Pension and Assurance Scheme ('the Scheme'). It describes the investment policy being pursued by the Trustees of the Scheme and is in accordance with the Government's voluntary code of conduct for Institutional Investment in the UK ("the Myners Principles"). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005.

Scheme details

The exclusive purpose of the Scheme is to provide retirement and death benefits to eligible participants and beneficiaries. It qualifies as a registered pension scheme, registered under Chapter 2 of Part 4 of the Finance Act 2004.

The Scheme previously consisted of two distinct sections, the Defined Benefit ('DB') Section and the Defined Contribution ('DC') Section. The DB Section of the Scheme was bought out in July 2021. This SIP now covers the assets held relating to DC Section members of the Scheme, and the surplus of funds held as part of the DB Section following the buy-out.

Advice and consultation

Before preparing this Statement, the Trustees sought advice from the Scheme's Investment Consultant, XPS Investment Limited. The Trustees also consulted the Principal Employer. The Trustees will consult the Principal Employer on any future changes in investment policy as set out in this Statement.

Investment powers

The Scheme's Trust Deed and Rules set out the investment powers of the Trustees. This Statement is consistent with those powers. Neither this Statement nor the Trust Deed and Rules restricts the Trustees' investment powers by requiring the consent of the Principal Employer.

In accordance with the Financial Services and Markets Act 2000, the Trustees set general investment policy but delegates responsibility for the selection of the specific securities and any financial instruments in which the Scheme invests to the Investment Managers.

Review of the Statement

The Trustees will review this Statement and their investment policy at least every three years in conjunction with each triennial valuation or immediately following any significant changes in investment policy.

The Trustees will also review this Statement in response to any material changes to any aspect of the Scheme, its liabilities, finances and attitude to risk of either the Trustees or Principal Employer which it judges to have a bearing on the stated investment policy.

The Trustees will receive confirmation of the continued appropriateness of this Statement annually, or more frequently, if appropriate.

Definitions

Capitalised terms in this document mean the following:

Act - The Pensions Act 1995 (as amended by section 244 of the Pensions Act 2004);

AVCs - Additional Voluntary Contributions;

Investment Manager – An organisation appointed by the Trustees to manage investments on behalf of the Scheme;

Principal Employer – Taylor Maxwell Holdings Limited;

Recovery Scheme - The agreement between the Trustees and the Principal Employer to address the funding deficit;

Scheme – The Taylor Maxwell Group Limited Pension and Assurance Scheme;

Statement - This document, including any appendices, which is the Trustees' Statement of Investment Principles;

Technical Provisions - The amount required, on an actuarial calculation, to make provision for the Scheme's liabilities;

Trust Deed and Rules - the Scheme's Trust Deed and Rules dated 20 September 2016, as subsequently amended;

Trustees – the collective entity responsible for the investment of the Scheme's assets and managing the administration of the Scheme;

Value at Risk - a technique which uses historical correlations of asset class returns and volatilities to estimate the likely worst-case scenario loss for a given portfolio of assets.

02 Strategic investment policy and objectives

Choosing investments

The Trustees rely on professional Investment Managers for the day-to-day management of the Scheme's assets. However, the Trustees retain control over some investments. In particular, the Trustees makes decisions about pooled investment vehicles in which the Scheme invests and any AVC investment vehicles.

The Trustees' policy is to regularly review the investments over which they retain control and to obtain written advice about them when necessary. When deciding whether or not to allow any new investment opportunities in the DC Section, the Trustees will obtain written advice and consider whether future decisions about those investments should be delegated to the Investment Managers. The written advice will consider suitability of the investments, the need for diversification and the principles within this Statement. The adviser will have the knowledge and experience required under Section 36(6) of the Act.

Long-term objectives: DB Section

Since the DB Section has been bought out, the Trustees no longer aim to grow their assets to ensure the Scheme is able to meet benefit payments as they fall due. Instead, this is guaranteed through the bulk annuity buy-in policy which the Scheme entered with Aviva Annuity UK Limited. The DB Section currently holds excess cash following the buy-out in the LGIM Sterling Liquidity Fund.

Long-term objectives: DC Section

The Trustees' long-term objectives are to provide members with investment options that will enable them to optimise the real return on investments in order to build a fund which will be used at retirement to invest in an income drawdown product, purchase an annuity and/or be taken as a cash lump sum.

The Trustees have therefore selected the investment options intended to be in the interests of members in a manner designed to provide an appropriate level of security, quality, liquidity, and profitability. The Trustees recognise that the available investment options directly impact the Scheme members and their expectation for their retirement provision.

The Trustees have therefore set three investment objectives for the Scheme:

<u>Fiduciary</u> To ensure members are given an appropriate range of investment vehicles and guidance on the suitability of these vehicles;

<u>Funding</u> To give members investment opportunities that enable them to maximise the returns achieved at acceptable levels of risk;

<u>Stability</u> To provide members with some investment options which offer some protection against volatility in the capital value of their fund.

Expected returns

For the DC Section, the Trustees anticipate that the investment options and the associated future absolute investment returns will allow members to maintain or increase the real value of their fund whilst at the same time providing them with the opportunity to invest in assets which are closely aligned to the way in which they expect to convert their fund at retirement.

The Trustees expect the long-term return on investment options that invest predominantly in equities to exceed price inflation. The long term returns on bond and cash options are expected to be lower than returns on predominantly equity options. Cash funds provide protection against changes in short-term capital values and may be appropriate for members wishing to take part or all of their DC benefits in the form of a cash lump sum.

02 Strategic investment policy and objectives (continued)

Investment Policy – DB Section

The DB Section has been bought out. The Trustees no longer have an investment policy since the Scheme is guaranteed to satisfy its remaining benefit payments through Aviva Annuity UK Limited. The DB Section still holds a surplus of cash following the buy-out which is held in the LGIM Sterling Liquidity Fund, as specified in Appendix I.

Investment Policy – DC Section

In order to meet the above objectives, the Trustees have made available a range of investment funds with different risk-reward characteristics. Further details are provided in Appendix II.

The individual funds available and their characteristics are given in Appendix III.

Range of assets

For the DC Section, the amounts allocated to any individual asset class will be influenced by the choices made by the members and may vary through the Investment Managers' tactical asset allocation preferences at any time, within the restrictions imposed under individual fund investment parameters.

The Trustees will ensure that the investment options made available to Members hold a suitably diversified range of securities, avoiding an undue concentration of assets. In addition, the Trustees will ensure the range of assets is otherwise suitable to meet the investment objectives, as set out in Appendix II.

Based on the structure set out in Appendix II, the Trustees consider the arrangements with the Investment Managers to be aligned with DC Members' overall strategic objectives. Details of each specific mandate are set out in agreements and pooled fund documentation with each Investment Manager. The amounts allocated to any individual category or security will be influenced by the overall benchmark and objectives, varied through the Investment Managers' tactical asset allocation preferences at any time, within any scope given to them through asset allocation parameters set by the Trustees or governing the pooled funds in which Members are invested.

The Trustees will ensure that the Scheme's assets are invested in regulated markets to maximise their security.

Investment Managers are incentivised to perform in line with expectations for their specific mandate as their continued involvement as Investment Managers as part of the Scheme's investment strategy – and hence the fees they receive – are dependent upon them doing so. They are therefore subject to performance monitoring and reviews based on a number of factors linked to the Trustees' expectations, including the selection / deselection criteria set out in Section 6.

The Trustees encourage Investment Managers to make decisions in the long-term interests of the Scheme. The Trustees expect engagement with management of the underlying issuers of debt or equity and the exercising of voting rights. This expectation is based on the belief that such engagement can be expected to help Investment Managers to mitigate risk and improve long term returns. As covered in more detail in Section 3, the Trustees also require the Investment Managers to take ESG factors and climate change risks into consideration within their decision-making as the Trustees believe these factors could have a material financial impact in the long-term. The Trustees therefore make decisions about the retention of Investment Managers, accordingly.

03 Responsible investment

The Trustees have considered their approach to environmental, social and corporate governance ("ESG") factors for the long-term time horizon of the Scheme and believe there can be financially material risks relating to them. The Trustees have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Scheme's Investment Managers. The Trustees require the Scheme's Investment Managers to take ESG and climate change risks into consideration within their decision-making, in relation to the selection, retention or realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees will seek advice from the Investment Consultant on the extent to which their views on ESG and climate change risks may be taken into account in any future Investment Manager selection exercises. Furthermore, the Trustees, with the assistance of the Investment Consultant, will monitor the processes and operational behaviour of the Investment Managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this Statement.

As the Scheme invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. They have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Scheme's investments to the Investment Managers. The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees.

If the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt in ways that they deem inadequate or that the results of such engagement are mis-aligned with the Trustees' expectation, then the Trustees may consider terminating the relationship with that Investment Manager.

When considering the selection, retention or realisation of investments, the Trustees have a fiduciary responsibility to act in the best interests of the beneficiaries of the Scheme, although they have neither sought, nor taken into account, the beneficiaries' views on matters including (but not limited to) ethical issues and social and environmental impact. The Trustees will review this policy if any beneficiary views are raised in future.

The DB assets are held with an Insurer where there is a very low risk that ESG risks will impact the policy, prior to the Scheme wind-up.

04 Risk measurement and management

The Trustees recognise a number of risks involved in the investment of the assets of the Scheme. The Trustees measure and manage these risks as follows:

Market risk – For the DC Section, the risk of exposure to volatile markets, which may be less acceptable to some members, particularly near retirement, is addressed through the availability of non-equity-orientated funds.

Liquidity risk - The risk that assets cannot be sold quickly enough to enable benefits to be paid or that the Trustees cannot exit a particular investment is addressed through the process by which the administrator estimates the benefit outgo and ensures that sufficient cash balances are available, and through the Trustees' policy on realisation of assets (see below).

Inappropriate investments - The risk that an Investment Manager invests in assets or instruments that are not considered to be appropriate by the Trustees is addressed through the Trustees' policy on the range of assets in which the Scheme can invest (see section 2).

Currency risk - The risk of losses through depreciation of non-sterling currencies is measured by reference to the exposure of the Scheme to pooled funds with unhedged currency risk and is managed by investing predominantly in sterling assets and only taking currency risk where it increases the level of diversification.

Counterparty risk - The risk that a third party fails to deliver cash or other assets owed to the Scheme is addressed through the Investment Managers' guidelines with respect to cash and counterparty management.

Political risk - The risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries.

Custodian risk - The risk that the custodian fails to provide the services expected is addressed through the agreement with the third-party custodian and ongoing monitoring of the custodial arrangements. In pooled arrangements this is invariably delegated to the Investment Managers.

Manager risk - The risk that an Investment Manager fails to meet their stated objective is addressed through the performance objectives set out in Appendix I and Appendix III and through the monitoring of the Investment Managers as set out in section 6. In monitoring the performance of the Investment Managers, the Trustees measure the returns relative to the benchmark, objective and the volatility of returns. In addition, the Trustees will regularly review each Investment Manager's approach to risk within each fund in order to highlight any unintended risk being taken.

Fraud/Dishonesty - The risk that the Scheme assets are reduced by illegal actions is addressed through restrictions applied as to who can authorise transfer of cash and the account to which transfers can be made.

05 Realisation of assets and investment restrictions

Realisation of investments

In recognition of the fact that funds may need to be realised for a number of unanticipated reasons at any time, and the desirability of retaining as high a degree of flexibility as possible to cater for unexpected changes in circumstances, the Trustees will monitor closely the extent to which any assets not readily realisable are held by the Investment Managers and will limit such assets to a level where they are not expected to prejudice the proper operation of the Scheme.

The Trustees have considered how easily investments can be realised for the types of assets in which the Scheme is currently invested. As such, the Trustees believe that the Scheme currently holds an acceptable level of readily realisable assets to ensure that members can easily make withdrawals from their invested funds, as and when required.

For the DB Section, the Trustees hold enough cash to meet the expenses of the Scheme which are currently held in one fund.

Investment restrictions

The Trustees have established the following investment restrictions:

> The Trustees or the investment managers may not hold in excess of 5% of the Scheme's assets in investments related to the Principal Employer;

> Whilst the Trustees recognise that borrowing on a temporary basis is permitted, this option will only be utilised where it is deemed absolutely necessary or where the Trustees have received advice from the Investment Consultant that the Scheme's overall exposure to risk can be reduced through temporary borrowing, e.g. during an asset transfer;

> Investment in derivative instruments may be made only insofar as they contribute to the reduction in risk or facilitate efficient portfolio management.

The Investment Managers impose internal restrictions that are consistent with their house style. In some instances, the Trustees may impose additional restrictions and any such restrictions are specified in Appendix I and Appendix III.

06 Investment Manager Arrangements and fee structure

Delegation to Investment Manager(s)

In accordance with the Act, the Trustees have appointed one or more Investment Managers and delegated to them the responsibility for investing the Scheme's assets in a manner consistent with this Statement.

The Investment Managers are authorised and regulated to provide investment management services to the Scheme. Within the UK, the authorisation and regulation of the Investment Managers falls under the Financial Conduct Authority (FCA). Specific products in which the Scheme invests may also be regulated by the Prudential Regulatory Authority (PRA). For non-UK Investment Managers, authorisation and regulation is undertaken by the home state regulator.

Where Investment Managers are delegated discretion under section 34 of the Pensions Act 1995, the Investment Managers will exercise their investment powers with a view to giving effect to the principles contained in this Statement so far as reasonably practicable. In particular, the Investment Managers must have regard to the suitability and diversification of the investments made on behalf of the Scheme.

The Investment Managers will ensure that suitable internal operating procedures are in place to control individuals making investments for the Scheme.

Performance objectives

The individual benchmarks and objectives against which each investment mandate is assessed are given in Appendix I and Appendix III.

Review process

Appointments of Investment Managers are expected to be long-term, but the Trustees will review the appointment of the Investment Managers in accordance with their responsibilities. Such reviews will include analysis of each Investment Manager's performance and processes and an assessment of the diversification of the assets held by the Investment Manager. The review will include consideration of the continued appropriateness of the mandate given to the Investment Manager within the framework of the Trustees' investment policies.

Any significant changes relating to the criteria below that the Investment Consultant is aware of will be raised with the Trustees and may lead to a change in the Investment Consultant's rating for a particular mandate. These ratings help to determine an Investment Manager's ongoing role in implementing the investment strategy. If there are concerns, the Trustees may carry out a more in-depth review of a particular Investment Manager. Investment Managers will also attend Trustees meetings as requested.

Fund manager remuneration is considered as part of the manager selection process. It is also monitored regularly with the help of the Investment Consultant to ensure it is in line with the Trustees' policies and with fee levels deemed by the Investment Consultant to be appropriate for the particular asset class and fund type.

Selection / Deselection Criteria

The criteria by which the Trustees will select (or deselect) the Investment Managers include:

Parent - Ownership of the business;
People - Leadership/team managing the strategy and client service;
Product - Key features of the investment and the role it performs in a portfolio;
Process - Philosophy and approach to selecting underlying investments including operational risk management and systems;
Positioning - Current and historical asset allocation of the fund;
Performance - Past performance and track record;
Pricing - The underlying cost structure of the strategy;
ESG – Consistency and extent to which ESG analysis is incorporated into the process of selecting underlying investments.

06 Investment Manager Arrangements and fee structure (continued)

An Investment Manager may be replaced, for example (but not exclusively), for one or more of the following:

- The Investment Manager fails to meet the performance objectives set out in Appendix I and Appendix III;
- The Trustees believe that the Investment Manager is not capable of achieving the performance objectives in the future;
- The Investment Manager fails to comply with this Statement.

Investment Managers' fee structure

The Investment Managers are remunerated by receiving a percentage of the Scheme's assets under management and, in some cases, through the application of a flat fee. Details of the fee arrangements are set out in Appendix I and Appendix III. It is felt that this method of remuneration provides appropriate incentives for the Investment Managers to target the agreed level of outperformance whilst adhering to the level of risk specified by the Trustees.

Portfolio turnover

The Trustees require the Investment Managers to report on actual portfolio turnover at least annually, including details of the costs associated with turnover, how turnover compares with the range that the Investment Manager expects and the reasons for any divergence.

Investment Consultant's fee structure

The Investment Consultant is remunerated for work completed on a fixed fee basis, a time-cost basis or via a project fee. It is felt that this method of remuneration is appropriate because it enables the Investment Consultant to provide the necessary advice and information to facilitate the Trustees in undertaking their responsibilities.

07 Compliance Statement

Confirmation of advice

Before a Statement of Investment Principles, as required by the Pensions Act 1995, is prepared or revised by the trustees of a pension scheme, it must have consulted with the principal employer and obtained and considered the written advice of a person who is reasonably believed by it to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes.

The Investment Consultant hereby confirms to the Trustees that they have the appropriate knowledge and experience to give the advice required by the Act.

Trustees' declaration

The Trustees confirm that this Statement of Investment Principles reflects the Investment Strategy they have decided to implement. The Trustees acknowledge that it is their responsibility, with guidance from the Advisers, to ensure the assets of the Scheme are invested in accordance with these Principles.

Appendix I: DB Section Investment Structure

Current structure

The majority of the assets of the Scheme's DB Section are invested in a buy-in policy with Aviva Annuity UK Limited. This insurance policy exactly covers the liabilities of the DB Section. The remaining surplus assets of the DB Section are held in the LGIM Sterling Liquidity Fund.

Legal and General Investment Management (LGIM)

LGIM Sterling Liquidity Fund

Benchmark	SONIA
Objective	Provide diversified exposure and a competitive return in relation to SONIA

Appendix II: DC Section Investment Strategy & Structure

Overall strategy

The Trustees have decided to offer a range of appropriate funds to members to enable them to choose investments appropriate to their individual circumstances, whilst not offering too many funds which may deter some members from making a choice. In accordance with best practice guidance from the Pensions Regulator, particular attention has been placed on the default strategy to be used where members do not make their own investment choice.

The range of investment options is as follows:

Default strategy:

The aim of the default strategy is to maximise the value of members' retirement savings while managing the risks including volatility over the member's investment timeline, with a particular focus on the period leading up to retirement age. The Trustees, with their Investment Consultant, assessed the suitability of the default investment arrangement considering the regulations governing how members can access their benefits at retirement. This assessment considered the Scheme's membership profile and members' expected fund values at retirement.

The default strategy is operated in accordance with the policies described in the Statement and is intended to ensure investment in the best interests of members and beneficiaries as further described in the Statement.

Growth Phase

100% of the assets are invested in multi-asset during the accumulation phase. Depending on the lifestyle selection the member chooses, determines when the member switches begin:

15 years before retirement 100% Multi-Asset Fund	**Cautious Lifestyle** Gradually switch to 75% gilts and 25% cash
10 years before retirement 100% Multi-Asset Fund	**Balanced Lifestyle** Gradually switch to 75% gilts and 25% cash
5 years before retirement 100% Equities	**Adventurous Lifestyle** Gradually switch to 75% gilts and 25% cash
10 years before retirement 100% Multi-Asset Fund	**Cash Lifestyle** Gradually switch to 100% cash

Self-Select Options:

Lifestyle Options

Cautious Lifestyle

- LGIM Multi Asset (formerly Consensus) Fund
- LGIM Over 15 Gilts Index Fund
- LGIM Cash Fund

Balanced Lifestyle

- LGIM Multi Asset (formerly Consensus) Fund
- LGIM Over 15 Gilts Index Fund
- LGIM Cash Fund

Adventurous Lifestyle

- LGIM Global Equity (70:30) Index Fund
- LGIM Over 15 Year Gilts Index Fund
- LGIM Cash Fund

Cash Lifestyle

- LGIM Multi Asset (formerly Consensus) Fund
- LGIM Cash Fund

Appendix II: DC Section Investment Strategy & Structure (continued)

Equity Funds	
Global Equity Fund	
	LGIM Global Equity (70:30) Index Fund
UK Equity Fund	
	LGIM UK Equity Index Fund
Multi Asset Funds	
	LGIM Multi Asset (formerly Consensus) Fund
	LGIM Dynamic Diversified Growth Fund
Bond Funds	
	LGIM Over 15 Gilts Index Fund
Property Fund	
	LGIM Managed Property Fund
Cash Fund	
	LGIM Cash Fund

Note: LGIM refers to Legal & General Investment Management Limited

Appendix III: DC Section fund benchmarks and objectives

Legal and General Investment Management (LGIM)

Multi Asset (formerly Consensus) Fund

Benchmark	ABI UK Mixed Investment 40%-85%
Objective	Provide long-term investment growth through exposure to a diversified range of asset classes, excluding physical property.

Global Equity (70:30) Index Fund

Benchmark	Composite of FTSE All-Share Index (UK) and FTSE All-World Index (ex-UK)
Objective	Provide diversified exposure to UK and overseas equity markets.

UK Equity Index Fund

Benchmark	FTSE All-Share Index
Objective	Track the performance of the benchmark to within +/-0.25% p.a. for two years out of three

Dynamic Diversified Fund

Benchmark	Bank of England Base Rate + 4.5% p.a. over a full market cycle
Objective	Provide long-term investment growth through dynamic exposure to a diversified range of asset classes

Over 15 Year Gilts Index Fund

Benchmark	FTSE Actuaries UK Conventional Gilts Over 15 Years Index
Objective	Track the performance of the benchmark to within +/-0.25% p.a. for two years out of three

Managed Property Fund

Benchmark	MSCI/AREF UK Quarterly All Balanced Property Funds Index (UK PFI)
Objective	To outperform the benchmark over three and five year periods

Cash Fund

Benchmark	SONIA
Objective	To perform in line with the benchmark, without incurring excessive risk

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