MACE & JONES PENSION SCHEME

STATEMENT OF INVESTMENT PRINCIPLES

AUGUST 2020

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1 INTRODUCTION

This Statement of Investment Principles (the "Statement") has been prepared by the Trustees of the Mace & Jones Pension Scheme (the "Scheme") in accordance with Section 35 of the Pensions Act 1995, as amended, and its attendant Regulations.

The Statement outlines the principles governing the investment policy of the Scheme and the activities undertaken by the Trustees to ensure the effective implementation of these principles.

In preparing the Statement, the Trustees have:

- obtained and considered written advice from a suitably qualified individual, employed by their investment consultants, Mercer, whom they believe to have a degree of knowledge and experience that is appropriate for the management of their investments; and
- consulted with the Sponsoring Employer, although they affirm that no aspect of their strategy is restricted by any requirement to obtain the consent of the Sponsoring Employer.

The advice and the consultation process considered the suitability of the Trustees' investment policy for the Scheme.

The Trustees will review the Statement formally at least every three years to coincide with the triennial Actuarial Valuation or other actuarial advice relating to the statutory funding requirements. Furthermore, the Trustees will review the Statement without delay after any significant change in investment policy. Any changes made to the Statement will be based on written advice from a suitably qualified individual and will follow consultation with the Sponsoring Employer.

2 INVESTMENT OBJECTIVES

The Trustees' primary investment objective for the Scheme is to achieve an overall rate of return that is sufficient to ensure that assets are available to meet all liabilities as and when they fall due.

In doing so, the Trustees also aim to maximise returns at an acceptable level of risk taking into consideration the circumstances of the Scheme. Specifically, the Trustees are looking to secure the liabilities with an insurer over the short to medium term.

The Scheme Actuary has not raised any concerns during the process of revising the Scheme's investment strategy relating to any potential inconsistency with the actuarial valuation methodology and assumptions used in the Statutory Funding Objective.

3 INVESTMENT RESPONSIBILITIES

3.1 TRUSTEES' DUTIES AND RESPONSIBILITIES

The Trustees are responsible for setting the investment objectives and determining the strategy to achieve the objectives. They carry out their duties and fulfil their responsibilities as a single body.

The duties and responsibilities of the Trustees include, but are not limited to, the following tasks and activities:

- The regular approval of the content of the Statement
- The appointment and review of the investment managers and investment adviser
- The assessment and review of the performance of each investment manager
- The setting and review of the investment parameters within which the investment managers can operate
- The assessment of the risks assumed by the Scheme at total Scheme level and manager by manager
- The approval and review of the asset allocation benchmark for the Scheme
- The compliance of the investment arrangements with the principles set out in the Statement

3.2 INVESTMENT ADVISER'S DUTIES AND RESPONSIBILITIES

The Trustees have appointed Mercer as the investment adviser to the Scheme. Mercer provides advice as and when the Trustees require it, as well as raising any investment-related issues, of which it believes the Trustees should be aware. Matters on which Mercer expects to provide advice to the Trustees include the following:

- Setting of investment objectives
- Determining investment strategy and asset allocation
- Determining an appropriate investment structure
- Selecting and replacing investment managers
- Setting cashflow management (investment and withdrawal) policies (see Appendix 2)

The Trustees may seek advice from Mercer with regard to both strategic and tactical investment decisions (see Section 4 – Investment Strategy); however, they recognise that they retain responsibility for all such decisions, including those that concern investments and disinvestments relating to cashflows (see Appendix 2). Mercer may be proactive in advising the Trustees regarding tactical investment decisions; however, there is no responsibility placed on Mercer to be proactive in all circumstances.

The Trustees monitor the performance of the Scheme's investment managers against their benchmarks.

Mercer makes a fund based charge which covers the services of Mercer as specified within the Implemented Investment Consultancy Services Agreement (ICA). Any additional services provided by Mercer will be remunerated primarily on a time-cost basis.

In particular, Mercer does not receive commission or any other payments in respect of the Scheme that might affect the impartiality of their advice. The Trustees are satisfied that this is the most appropriate adviser remuneration structure for the Scheme.

Mercer is authorised and regulated by the Financial Conduct Authority ("FCA").

3.3 ARRANGEMENT WITH INVESTMENT MANAGERS

Investment managers are appointed by the Trustees after taking appropriate investment advice from Mercer. The appointments are based on the investment managers' capabilities and therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class being selected.

The Trustees invest in pooled investment vehicles and therefore accept that they cannot specify the risk profile and return targets of the managers, but the pooled funds are chosen with appropriate characteristics to align with the overall investment strategy.

The Trustees are a long term investor and does not look to change the investment arrangements on a frequent basis. If a manager is significantly downgraded by Mercer's Manager Research Team ("MMRT"), the investment adviser will advise the Trustees and they may replace that manager with a suitable alternative.

The assets are held on the Mobius Life Investment Platform. The details of the investment managers selected by the Trustees are set out in Appendix 3, together with the details of each manager's mandate.

The investment managers are responsible for all decisions concerning the selection and de-selection of the individual securities within the portfolios they manage. In the case of multi-asset mandates, the investment managers are responsible for all decisions concerning the allocation to individual asset classes and changes in the allocations to individual asset classes.

The investment managers are authorised and regulated by the FCA.

The investment managers are remunerated by ad valorem charges based on the value of the assets that they manage on behalf of the Scheme.

None of the underlying managers in which the Scheme's assets are invested have performance based fees which could encourage the manager to make short term investment decisions to hit their profit targets.

Based on the mandates currently held, the Trustees consider that the method of remunerating fund managers is consistent with incentivising them to make decisions based on assessments of medium to long-term financial and non-financial performance of an issuer of debt or equity. By encouraging a medium to long-term view, it will in turn encourage the investment managers to engage with issuers of debt or equity in order to improve their performance in the medium to long-term.

The Trustees accept that they have limited influence over the charging structure of the pooled funds in which the Scheme is invested, but is satisfied that the ad-valorem charges for the different underlying funds are clear and are consistent with each fund's stated characteristics. The Trustees are therefore satisfied that this the most appropriate basis for remunerating the underlying investment managers and is consistent with the Trustees' policies as set out in this SIP

3.4 SCHEME ACTUARY

The Scheme Actuary's responsibilities include the following:

- Liaising with the investment adviser regarding the suitability of the Scheme's investment strategy given the financial characteristics of the Scheme
- Assessing the funding position of the Scheme and advising on the appropriate response to any shortfall
- Performing the triennial (or more frequent, as required) valuations and advising on the appropriate contribution levels

3.5 ADMINISTRATOR

The Administrator's responsibilities include the following:

- Ensuring there is sufficient cash available to meet benefit payments as and when they fall due
- Paying benefits and making transfer payments
- Investing contributions not required to meet benefit payments with the investment managers according to the Trustees' instructions

4 INVESTMENT STRATEGY

4.1 SETTING INVESTMENT STRATEGY

The Trustees have determined their investment strategy after considering the Scheme's liability profile and requirements of the Statutory Funding Objective, their own appetite for risk, the views of the Sponsoring Employer on investment strategy, the Sponsoring Employer's appetite for risk, and the strength of the Sponsoring Employer's covenant. The Trustees have also received written advice from their Investment Adviser.

The investment strategy specifically focuses on the aim to secure the liabilities with an insurer over the short to medium term. Specifically, the assets have been split between a "growth" portfolio, comprising assets such as diversified growth and multi-asset credit, and a "stabilising" portfolio, comprising gilts, index-linked gilts and liability driven investments. This strategy has been adopted as the estimated deficit is too large to move immediately to buy-out as it aims to generate investment returns in order to reduce the deficit over time. The strategy will be revised when the Trustees are in a position to move to buy-out i.e. if the estimated deficit is below £1.8m, which is the maximum contribution that the Sponsoring Employer is willing to pay.

The Trustees have established a benchmark allocation to each asset class within the strategic asset allocation, which is set out in Appendix 1.

The Trustees recognise the benefits of diversification across growth asset classes, as well as within them, in reducing the risk that results from investing in any one particular market. Where they consider it advisable to do so, the Trustees have appointed investment managers to select and manage the allocations across growth asset classes, in particular where it would not be practical (or appropriate) for the Trustees to commit the resources necessary to make these decisions themselves.

In respect of the investment of contributions and any disinvestments to meet member benefit payments, the Trustees have decided on a structured approach to rebalance the assets in accordance with their overall strategy. This approach is set out in Appendix 2.

4.2 INVESTMENT DECISIONS

The Trustees distinguish between three types of investment decision: strategic, tactical and stock-level.

Strategic Investment Decisions

These decisions are long-term in nature and are driven by an understanding of the objectives, needs and liabilities of the Scheme.

The Trustees take all such decisions themselves. They do so after receiving written advice from their investment adviser and consulting with the Sponsoring Employer. Examples of such decisions and of tasks relating to the implementation of these decisions include the following:

- Setting investment objectives
- Determining the split between the growth and the stabilising portfolios
- Determining the allocation to asset classes within the growth and stabilising portfolios
- Determining the Scheme benchmark
- Reviewing the investment objectives and strategic asset allocation

Tactical Investment Decisions

These decisions are short-term and based on expectations of near-term market movements. Such decisions may involve deviating temporarily from the strategic asset allocation and may require the timing of entry into, or exit from, an investment market or asset class.

These decisions are the responsibility of the Trustees. However, where such decisions are made within a pooled fund, they are the responsibility of the investment manager of the fund.

Stock Selection Decisions

All such decisions are the responsibility of the investment managers of the pooled funds in which the Scheme is invested.

4.3 TYPES OF INVESTMENTS TO BE HELD

The Trustees are permitted to invest across a wide range of asset classes, including, but not limited to, the following:

- UK and overseas equities
- UK and overseas government bonds, fixed and inflation-linked
- UK and overseas corporate bonds
- Convertible bonds
- Property
- Commodities
- Hedge funds
- Private equity
- High yield bonds
- Emerging market debt
- Diversified growth funds (DGF)
- Liability driven investment products
- Multi-asset credit
- Cash

All the funds in which the Scheme invests are pooled and unitised. The use of derivatives is permitted by the guidelines that apply to the pooled funds. Details relating to the pooled funds can be found in Appendix 3.

4.4 FINANCIALLY MATERIAL CONSIDERATIONS

The Trustees understand that they must consider all factors that have the ability to impact the financial performance of the short to medium term, which is the time horizon over which the Trustees intend to achieve buyout. This includes, but is not limited to, environmental, social and governance (ESG) factors.

The Trustees recognise that ESG factors, such as climate change, can influence the investment performance of the Scheme’s portfolio and it is therefore in members’ and the Scheme’s best interests that these factors are taken into account within the investment process.

As noted earlier, the Scheme’s assets are invested in pooled funds. The Trustees accept the fact that they have very limited ability to influence the ESG policies and practices of the companies in which their managers invest. The Trustees will therefore rely on the policies and judgement of their investment managers.

4.5 NON-FINANCIAL CONSIDERATIONS

The Trustees only consider factors that are expected to have a financial impact on the Scheme's investments. Non-financial considerations, such as ethical views, are not implemented in the current investment strategy.

4.6 CORPORATE GOVERNANCE AND VOTING POLICY

The Trustees have concluded that the decision on how to exercise voting rights should be left with their investment managers, who will exercise these rights in accordance with their respective published corporate governance policies. These policies, which are provided to the Trustees from time to time, take into account the financial interests of shareholders and should be for the Scheme's benefit.

Where the Trustees are specifically invited to vote on a matter relating to corporate policy, the Trustees will exercise their right in accordance with what they believe to be the best interests of the majority of the Scheme's membership.

The MMRT receive regular reporting from the underlying investment managers / funds which include information on the voting activity undertaken on behalf of the pooled fund. This information is reviewed on a periodic basis to ensure that the actions taken by the investment manager are consistent with its stated policies and that these are in the best long-term interests of the pooled fund. If required, the MMRT will raise any concerns directly with the investment manager.

The Trustees note that the investment managers' corporate governance policies are available on request and on their respective websites.

4.7 STEWARDSHIP

The Trustees, in conjunction with their advisers, will monitor the performance, strategy, risks, ESG policies and corporate governance of the investment managers. In particular, the Trustees will:

- Monitor the performance of the investment manager / fund relative to its stated performance objective(s). Whilst performance over all time periods will be considered, the focus will be on the medium to long-term performance of the investment manager / fund. Where performance has failed to meet expectations and/or the MMRT's views on the future expectations of performance has changed, the underlying investment manager / fund would be replaced with a suitable alternative;
- Monitor the performance of the overall strategy relative to the investment objective. Where performance has underperformed the objective, the Trustees must understand the reasons for the underperformance and, where appropriate, make any necessary changes to the strategy;
- Monitor the level of risk on a regular basis to ensure that the Scheme is not undertaking an excessive level of risk and that these risks are balanced appropriately. It is recognised that the level of investment risk will change from one period to the next due to factors out with their control, e.g. general market movements;
- Review the ESG and Stewardship policies of the underlying investment manager on a regular basis. As noted earlier, the Trustees recognise that its ability to influence the stewardship policies of the underlying investment manager is limited given their investment in pooled funds. As such, any changes to the Trustees' view on these matters, or a change in the stewardship policies of the investment manager, could potentially result in the investment manager being replaced.

5 RISK

The Trustees are aware, and seek to take account of a number of risks in relation to the Scheme's investments, including the following:

Under the Pensions Act 2004, the Trustees are required to state their policy regarding the ways in which risks are to be measured and managed. These are set out below.

Solvency Risk and Mismatching Risk

- These are measured through a qualitative and quantitative assessment of the expected development of the assets relative to the liabilities.
- These are managed by setting a scheme-specific strategic asset allocation with an appropriate level of risk.

Manager Risk

- This is assessed as the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
- It is measured by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment process.

Liquidity Risk

- This is monitored according to the level of cashflows required by the Scheme over a specified period.
- It is managed by holding an appropriate amount of readily realisable investments. The Scheme's assets are invested in pooled funds which are readily realisable.

Political Risk

- This is measured by the level of concentration in any one market leading to the risk of adverse influence on investment values arising from political intervention.
- It is managed by regular reviews of the investments and through investing in funds which give a wide degree of diversification.

Corporate Governance Risk

- This is assessed by reviewing the Scheme's investment managers' policies regarding corporate governance.
- It is managed by delegating the exercise of voting rights to the managers, who exercise this right in accordance with their published corporate governance policies. Summaries of these policies are provided to the Trustees from time to time and take into account the financial interests of the shareholders, which should ultimately be to the Scheme's advantage.

Sponsor Risk

- This is assessed as the level of ability and degree of willingness of the Sponsoring Employer to support the continuation of the Scheme and to make good any current or future deficit.
- It is managed by assessing the interaction between the Scheme and the Sponsoring Employer's business, as measured by a number of factors, including the creditworthiness of the Sponsoring Employer and the size of the pension liability relative to the Sponsoring Employer. Regular updates on employer covenant are provided to the Trustees by senior staff of the Sponsoring Employer.

Legislative Risk

- This is the risk that legislative changes will require action from the Trustees so as to comply with any such changes in legislation.
- The Trustees acknowledge that this risk is unavoidable but will seek to address any required changes so as to comply with changes in legislation.

Credit Risk

- This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- The Trustees acknowledge that the assessment of credit risk on individual debt instruments is delegated to the investment manager. The Trustees will however ensure that they are comfortable with the amount of risk that the Scheme's investment manager takes.

Market Risk

- This is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of the following types of risk:

– Currency Risk

- This is the risk that occurs when the price of one currency moves relative to another (reference) currency. In the context of a UK pension scheme, the scheme may be invested in overseas stocks or assets, which are either directly or indirectly linked to a currency other than Sterling. There is a risk that the price of that overseas currency will move in such a way that devalues that currency relative to Sterling, thus negatively impacting the overall investment return.
- The Trustees accept the currency risk related to its overseas vehicles, and acknowledge that a currency hedge can be implemented.

– Interest and Inflation Rate Risks

- This is the risk that an investment's value will change due to a change in the level of interest and/or expected inflation rates. This affects debt instruments more directly than growth instruments.
- The Trustees acknowledge that the risks related to individual debt instruments is managed by the underlying investment managers through a combination of strategies, such as diversification, duration and yield curve management.

– Other Price Risk

- This is the risk that principally arises in relation to the return focussed portfolio, which invests in equities, equities in pooled funds, equity futures, hedge funds and private equity.
- The Trustees acknowledge that the Scheme can manage its exposure to price risk by investing in a diverse portfolio across various markets.

ESG Risk

- This is the risk that Environmental, Social or Corporate Governance concerns, including climate change, have a financially material impact on the return of the Scheme's assets.
- The Trustees manage this risk by investing in well-respected investment managers where ESG principles are appropriately included in the investment decision-making process.
- The Trustees are aware that Responsible Investing is one of the core beliefs of the Investment Manager and the Investment Adviser. As a result, part of the rating process of the Investment Adviser and decision-making process of the Investment Manager in relation to the underlying investment managers is based on its financial stewardship and how well the investment manager integrates governance and sustainability into its investment process.

6 MONITORING OF INVESTMENT ADVISER AND MANAGERS

6.1 INVESTMENT ADVISER

The Trustees continually assess and review the performance of their adviser in a qualitative way. In order to do so, the Trustees will consider the objectives it set for its investment adviser in the document entitled “Strategic Objectives for Investment Consultancy Services” which was signed and formally adopted by the Trustees.

6.2 INVESTMENT MANAGERS

The Trustees receive quarterly monitoring reports on the performance of the underlying investment managers from Mercer, which present performance information over 3 months, 1 year and 3 years. The reports show the absolute performance and performance against the manager’s stated target performance (over the relevant time period) on a net of fees basis. It also provides returns of market indices so that these can also be used to help inform the assessment of the underlying managers’ performance.

The Trustees, in conjunction with advice from their Investment Adviser, have the role of replacing the underlying investment managers where appropriate. They take a long-term view when assessing whether to replace the underlying investment managers, and such decisions would not be made based solely on short-term performance concerns. Instead, changes would be driven by a significant downgrade of the investment manager by MMRT. This in turn would be due to a significant reduction in Mercer’s confidence that the investment manager will be able to perform in line with their fund’s mandate over the long term.

Changes will also be made to the underlying managers if there is a strategic change to the overall strategy such that the Scheme no longer requires exposure to that asset class or manager.

6.3 PORTFOLIO TURNOVER COSTS

The Trustees do not currently monitor portfolio turnover costs for the funds in which the Scheme is invested, although notes that the performance monitoring which it receives is net of all charges, including such costs. Portfolio turnover costs means the costs incurred as a result of the buying, selling, lending or borrowing of investments.

The Trustees are also aware of the requirement to define and monitor targeted portfolio turnover and turnover range. Given that the Scheme invests in a range of pooled funds, many of which invest across a wide range of asset classes, the Trustees do not have an overall portfolio turnover target for the Scheme.

The Trustees are working with Mercer to determine the most appropriate way to obtain and monitor the information required in relation to the pooled funds in which the Scheme is invested and will include further information about this when next updating the SIP.

7 CODE OF BEST PRACTICE

The Trustees notes that in March 2017 the Pensions Regulator released 'Investment Guidance for Defined Benefit Pension Schemes'.

The Trustees are satisfied that the investment approach adopted by the Scheme is consistent with the guidance so far as it is appropriate to the Scheme's circumstances.

The Trustees meet with their investment adviser on a regular basis, monitoring developments both in relation to the Scheme's circumstances and in relation to evolving guidance, and will revise the Scheme's investment approach if considered appropriate.

8 COMPLIANCE

The Scheme's Statement of Investment Principles and annual report and accounts are available to members on request.

This Statement of Investment Principles, taken as a whole with the Appendices, supersedes all others and was approved by the Trustees:

Signed on behalf of the Trustees by: ....

Name: ....

On: ....

APPENDIX 1: ASSET ALLOCATION

The Scheme's strategic asset allocation is set out below.

Asset Class	Allocation (%)
Growth Assets	**39.0**
Diversified Growth	24.0
Multi-asset Credit	15.0
Stabilising Assets	**61.0**
Liability Driven Investment – nominal	28.2
Liability Driven Investment - real	21.0
Gilts	6.0
Index-linked Gilts	5.8
Total	**100.0**

The above allocations will naturally drift as investment market conditions change.

The policy for rebalancing and investment/disinvestment of cashflows is set out in Appendix 2.

Appendix 3 provides information about the funds in which the assets are invested.

APPENDIX 2: CASHFLOW AND REBALANCING POLICY

Where possible, cash outflows will be met from cash balances held by the Scheme in order to minimise transaction costs.

Any investments/disinvestments that take place from the growth assets.

The Trustees will review the cashflow policy from time to time to ensure that it remains appropriate taking into account changes in the Scheme’s cashflow requirements.

For avoidance of doubt, this Statement will not be revised purely in relation to a change in cashflow policy.

APPENDIX 3: INVESTMENT MANAGER INFORMATION

The Scheme's assets are held on an investment platform provided by Mobius Life Limited. .The tables below show the details of the mandate(s) with each manager.

GROWTH ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency	IFRS Class
Diversified Growth				
Baillie Gifford Diversified Growth Fund	Bank of England Base Rate	To outperform the benchmark by at least +3.5% p.a. (net of fees) over rolling 5 year periods	Daily	Level 2
Nordea Diversified Return Fund	3 Month LIBOR	To outperform the benchmark by 3.3% p.a. (net of fees) over rolling 3 year periods with volatility between 4.0%-7.0%	Daily	Level 2
Columbia Threadneedle Multi-Asset Fund	Bank of England Base Rate	To outperform the benchmark by 3.5% p.a. (net of fees) over rolling 3 year periods	Daily	Level 2
Pictet Multi-Asset Fund	3 Month LIBOR	To outperform the benchmark by +4.0% p.a. (net of fees) over a 3-5 year period	Daily	Level 2
Multi-asset Credit				
Investec Global Target Return Credit Fund	3 Month LIBOR	To outperform the benchmark by +3.13% (net of fees) over a full credit cycle	Daily	Level 2
Payden & Rygel Absolute Return Bond Fund	1 Month LIBOR	To outperform the benchmark by +2.6% (net of fees) over rolling 3 year periods with volatility between 1.5%-3.0%	Daily	Level 2

STABILISING ASSETS

Manager / Fund	Benchmark	Objective	Dealing Frequency	IFRS Class
Liability Driven Investments				
BMO Nominal Dynamic LDI Fund	The liability profile of a typical UK DB pension scheme	To provide liability hedging by offering interest rate protection which replicates the liability profile of a typical UK defined benefit pension scheme	Daily	Level 2
BMO Real Dynamic LDI Fund	The liability profile of a typical UK DB pension scheme	To provide liability hedging by offering interest rate and inflation protection which replicates the liability profile of a typical UK defined benefit pension scheme	Daily	Level 2
Gilts				
LGIM Over 15 Year Gilts Fund	FTSE Actuaries UK Conventional Gilts Over 15 Year Index	To track the performance of the benchmark to within +/- 0.25% p.a. for two years out of three	Daily	Level 2
LGIM Over 5 Year Index-linked Gilts Fund	FTSE Actuaries UK Index-Linked Gilts Over 5 Year Index	To track the performance of the benchmark to within +/- 0.25% p.a. for two years out of three	Daily	Level 2

For avoidance of doubt, this SIP will not be updated solely in response to a replacement of one of the underlying investment managers.