Marmon Group Limited Retirement Benefits Plan (the "Plan")

Statement of Investment Principles (the "Statement")

Scope of Statement

This Statement has been prepared in accordance with section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005).

The effective date of this Statement is 29 September 2023. The Trustees will review this Statement and the Plan's investment strategy no later than three years after the effective date of this statement and without delay after any significant change in investment policy.

The Marmon Group Limited Retirement Benefits Plan ("the Plan") comprises two sections: one providing final salary benefits and the other providing money purchase benefits under the section of the Plan named the Marmon Employee Retirement Plan ("MERP"). There is no cross-subsidy between the different sections. This statement applies to the money purchase (MP) section of the Plan.

Consultations Made

The Trustees have consulted with the employer, The Marmon Group Limited, prior to writing this Statement and will take the employer's comments into account when they believe it is appropriate to do so.

The Trustees are responsible for the investment strategy of the Plan. The Trustees have obtained written advice on the investment strategy appropriate for the Plan and on the preparation of this Statement. This advice was provided by Aon Investments Limited who are authorised and regulated by the Financial Conduct Authority.

The day-to-day management of the Plan's assets has been delegated to investment managers who are authorised and regulated by the Financial Conduct Authority. A copy of this Statement is provided to the appointed investment managers and is available to the members of the Plan.

Objectives and policy for securing objectives

The Trustees' primary objectives for the Defined Contribution Section are:

- "Asset choice" to ensure members have an appropriate choice of assets for investment;
- "Return objective" to enable members to benefit from investment in "growth" assets until they approach retirement, when they will be able to switch to "matching" assets which provide a closer match to the cost of purchasing an annuity and / or providing a cash lump sum on retirement.

Choosing investments

The Trustees deem the investment strategy available to members to be appropriate, given the nature of the benefits and the membership.

The Trustees set the investment strategy and choose the underlying funds. The asset classes, investment managers and objectives for each of these funds are set out in the Appendix to this Statement.

Day to day selection of stocks is delegated to the fund manager appointed by the Trustees. The Trustees take professional advice when formally reviewing the manager or funds offered to members.

The Trustees take professional advice when formally reviewing the investment managers and funds offered to members.

The balance between different kinds of investments

The Trustees recognise that the key source of financial risk (in relation to members meeting their objectives) arises from the funds made available to members. The Trustees therefore retain responsibility for the investment funds and take expert advice as required from their professional advisers.

In setting the investment strategy, the Trustees have reviewed the extent to which the return on investments (after deduction of any charges relation to those investments) is consistent with the objectives of the strategy.

A full range of available asset classes has been considered. This includes consideration of so called "alternative" asset classes, for example, property, private equity, and hedge funds.

The Trustees regularly review the appropriateness of the investment strategy and may make changes from time to time.

Investment risk measurement and management

The Trustees recognise that members take the investment risk. They take account of this in the selection and monitoring of investment managers and the choice of funds offered to members.

The Trustees monitor the risk arising through the selection or appointment of the Plan's investment manager on a regular basis via investment monitoring reports prepared by their investment manager.

Custody

Investment in pooled funds gives the Trustees a right to the cash value of the units rather than to the underlying assets. With the exception of BlackRock, the managers of the pooled funds are responsible for the appointment and monitoring of the custodian of the funds' assets.

Following operational changes at BlackRock, the Trustees have appointed Bank of New York Mellon as custodian for this fund.

The custodians are independent of the employer.

Expected returns on assets

Over the long-term the Trustees' expectations are:

- for real assets (e.g. equities) to achieve a return which at least keeps pace with the increase in Average Weekly Earnings. The Trustees are willing to incur short-term volatility in equity price behaviour with the expectation that over the long term equities will outperform the other major asset classes.
- for monetary assets (e.g. UK bonds and cash) to achieve a rate of return which is at least in line with the yield implicit in the pricing of annuities.

The Trustees note the expected nominal return assumptions for the main asset classes over the next 10 years, as reported in Aon's 'Capital Market Assumptions' dated 30 June 2023, are as follows:

- UK inflation – CPI 2.2% pa / RPI 2.9% pa
- UK equities – 6.8% pa
- Overseas equities – in the range 6.1% pa (Switzerland) to 7.0% pa (Emerging Markets)
- 15 year UK fixed income gilts – 4.8% pa
- 15 year UK index-linked gilts – -3.5% pa
- 10 year UK investment grade corporate bonds – 5.2% pa

Aon's Capital Market Assumptions represent asset class return, volatility and correlation assumptions. The return assumptions are 'best estimates' of annualised returns – that is, there is a 50/50 chance that actual returns will be above or below the assumptions. The assumptions are long term assumptions, based on a 10 year projection period and are updated on a quarterly basis.

Default arrangement

The Plan has a default arrangement which incorporates a lifestyle strategy. An equity based strategy is currently selected for the majority of a member's working lifetime. This is because, over long periods of time, equities are expected to outperform most of the other major asset classes.

Details of this option are set out in the Appendix to this statement.

Realisation of investments/liquidity

The Trustees recognise that there is a risk in holding assets that cannot be easily realised should the need arise. All of the assets are realisable at short notice through the sale of units in pooled funds.

Effective decision making

The Trustees recognise that decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. They also recognise that where they take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.

Social, environmental or ethical considerations

In setting the Plan's investment strategy, the Trustees' primary concern is to act in the best financial interests of the beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. This includes the risk that environmental, social and governance factors including climate change can negatively impact the value of investments held if not understood and evaluated properly. The Trustees consider this risk by taking advice from their investment adviser when setting their asset allocation, when selecting the investment manager and when monitoring performance.

Arrangements with investment managers

The Trustees monitor the Plan's investments to consider the extent to which the investment strategy and decisions of the investment managers are aligned with the Trustees' policies.

Where the Plan invests in funds that are regularly reviewed by the Trustees' investment consultant, the Trustees use conclusions drawn from these assessments on a quarterly basis to determine whether the funds and investment managers remain suitable.

Where the Plan invests in funds that are not regularly reviewed by the Trustees' investment consultant, the Trustees review performance with the support of their investment consultant on an annual basis.

The above monitoring includes the extent to which investment managers:

- make decisions based on assessments about medium- to long-term financial and non-financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustees are supported in this monitoring activity by their investment consultant.

The Trustees receive quarterly reports and verbal updates from the investment consultant on various items including the investment strategy, performance and longer-term positioning of the portfolio. The Trustees focus on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan's objectives and assess the investment managers over the long-term.

The Trustees receive stewardship reports from the investment managers on the monitoring and engagement activities, which help to support the Trustees in determining the extent to which the Trustees' engagement policy has been followed. The Trustees will report on this information in the Implementation Statement, which will be published in the Trustees' report and accounts.

Before appointment of a new investment manager, the Trustees will review the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustees' policies. Where possible, the Trustees will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation, for example if the Trustees invest in a collective vehicle, then the Trustees will express their expectations to the investment manager by other means (such as through a side letter, in writing, or verbally at trustee meetings).

The Trustees believe that having appropriate governing documentation, setting clear expectations to the investment managers and regular monitoring of performance and investment strategy is in most cases sufficient to incentivise the investment managers to make decisions that align with the Trustees' policies and are based on assessments of medium- and long-term financial and non-financial performance.

Where the investment managers are considered to make decisions that are not in line with the Trustees' policies, expectations, or the other considerations set out above, the Trustees will typically first engage with the managers but could ultimately replace the managers where this is deemed necessary.

There is typically no set duration for arrangements with the investment managers, although the continued appointment for the managers will be reviewed periodically.

Cost monitoring

The Trustees are aware of the importance of monitoring the investment managers' total costs and the impact these costs can have on the overall value of the Plan's assets. The Trustees recognise that in addition to annual management charges, other costs will be incurred by their investment managers that will increase the overall cost incurred by the investments.

The Trustees receive annual cost transparency reports covering all of their investments and ask that the managers provide this data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustees to understand exactly what they are paying their managers. The Trustees work with their investment consultant and investment managers to understand these costs in more detail where required.

The Trustees believe that, net of all costs, performance assessments provide an incentive on investment managers to manage costs efficiently. However, they also understand that regular monitoring of these costs will improve the incentives on investment managers to control any inefficiencies.

The Trustees accept that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a high level of transaction costs is acceptable so long as it is consistent with the asset class characteristics and manager's style and historic trends. Where the Trustees' monitoring identifies a lack of consistency the mandate will be reviewed.

The Trustees are aware of portfolio turnover costs (portfolio turnover costs are defined as the costs incurred as a result of the buying, selling, lending or borrowing of investments) associated with their underlying investments through the information provided by their investment managers. The monitoring of the target portfolio turnover and turnover range is undertaken annually with the assistance of the investment consultant.

Stewardship – Voting and Engagement

The Trustees recognise the importance of their role as a steward of capital, promoting corporate responsibility and ensuring the highest standards of governance. The Trustees recognise that ultimately this will help to protect the financial interests and will create long-term financial value for the beneficiaries of the Plan.

The Trustees have delegated all voting and engagement activities to the Plan's investment managers. The Trustees accept responsibility for how the managers steward assets on their behalf, including the casting of votes in line with each manager's individual voting policy.

The Trustees review the stewardship activity of investment managers on an annual basis to ensure the Plan's stewardship policy is being appropriately implemented in practice. The Trustees receive annual reports on stewardship activity carried out by their managers and these reports include detailed voting and engagement information from underlying asset managers.

The Trustees expect the asset managers to use their influence as institutional investors to exercise the Trustees' voting rights in relation to the Plan's assets and to report to the Trustees on stewardship as required.

The Trustees will engage with the investment managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

Where possible, the transparency for voting should include voting actions and rationale with relevance to the Plan. In particular, where the investment managers vote against management were significant and where votes were abstained. Where voting is concerned, the Trustees would expect the investment managers to recall stock lending, as necessary, in order to carry out voting actions.

The Trustees may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure and management of actual or potential conflicts of interest. When a concern is identified, the Trustees will engage with their investment consultant to consider the methods by which, and the circumstances under which, they will monitor and engage with the investment managers and other stakeholders.

Members' Views and Non-Financial Factors

The Trustees do not explicitly take into account the views of members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors" in the Pension Protection Fund (Pensionable Service) and Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018).

Appendix

This Appendix sets out the Trustees' current investment strategy and is supplementary to the Trustees' Statement of Investment Principles.

The Trustees' investment strategy has been established in order to maximise the likelihood of achieving the primary objectives set out in the attached Statement.

1. Asset allocation strategy

The asset options for the Defined Contribution Section are made available through funds managed by BlackRock Asset Management ("BlackRock"). In addition, members have the option to invest in a Prudential ("Prudential") with-profits fund.

The Trustees have installed a default lifestyle matrix of funds to help members who do not have the time or expertise to select their own specialist funds. The default option has been designed to match the members' investments to their individual time from their normal retirement date. The objective is to achieve a reasonable balance between risk and return.

For members with more than five years to the member's retirement age, 100% of contributions are invested in the BlackRock Aquila Life Consensus Fund.

Over the five years leading to the member's retirement age there is an automatic phased switch into bonds and cash. The bond fund (the BlackRock Aquila Life Over 15 Years Corporate Bond Fund) aims to give an investment match for non-inflation linked annuities, i.e. a suitable match for non-increasing pensions. The matrix is designed to enable a member to buy long-term growth assets early in his career, and switch to assets better matching the way the pension is expected to be drawn as retirement approaches.

Members who do not wish to choose investments themselves will automatically have this default option selected for them.

2. Investment management arrangements

The Trustees have appointed BlackRock Asset Management ("BlackRock") and Prudential to manage the Plan's Defined Contribution section assets.

The following sections describe the mandate given to the investment managers.

2.1 BlackRock Asset Management

Asset Class	Manager/Fund	Benchmark	Target
Balanced Growth Fund	BlackRock Aquila Life Consensus Fund	Consensus Performance Benchmark	Track Index +/- 0.25% pa
Corporate Bonds	BlackRock Aquila Life Corporate Bond Over 15 Year Index Fund	iBoxx £ Non-Gilts Over 15 Years Index	Track Index +/- 0.25% pa
Cash	BlackRock Sterling Liquidity First Fund	SONIA Overnight	Track Index +/- 0.25% pa

2.2 Prudential

Asset Class	Manager/Fund	Benchmark	Target
With Profits	Prudential With Profits Fund	No specific benchmark	Not applicable

The with-profits fund has no prescriptive benchmark other than to generate long-term real returns with returns smoothed over the long term.

2.3 Cash balances

A working balance of cash is held for imminent payment of benefits, expenses, etc. Under normal circumstances it is not the Trustees' intention to hold a significant cash balance and this is carefully monitored by the Plan's administrator.

The investment managers are not permitted to hold cash, other than within the funds themselves and subject to the constraints set by the investment managers.

3. Fee structure for advisers and managers

The Trustees' investment advisers are paid for advice received on the basis of the time spent by the adviser. For significant areas of advice (e.g. one off special jobs, or large jobs, such as asset and liability modelling), the Trustees will endeavour to agree a project budget.

These arrangements recognise the bespoke nature of the advice given and that no investment decisions have been delegated to the adviser.

The fund management charges of the Money Purchase Section are borne by members.

BlackRock Asset Management is remunerated as a set percentage of the assets under management. This is in keeping with market practice.

Prudential is remunerated via a deduction for expenses within the With Profits Fund.