J W Muir Group Plc Staff Pension Scheme

Statement of Investment Principles

1. Background

This Statement of Investment Principles (the **Statement**) sets down the principles governing decisions about investments for the J W Muir Group Plc Staff Pension Scheme ("the **Scheme**") to meet the requirements of the Pensions Act 1995, the Occupational Pension Scheme (Investment) Regulations 2005 and subsequent legislation. Before finalising the Statement, the Trustees have consulted J W Muir Group (the **Sponsoring Employer**).

Where matters described in this Statement may affect the Scheme's funding policy, input has been obtained from the Scheme Actuary. The Trustees will review this Statement at least every three years, or as soon as practicable after any change in investment policy.

The Trustees' investment responsibilities are governed by the Scheme's Trust Deed and relevant regulation of which this Statement takes full regard. The Trustees note that, according to the law, they have ultimate power and responsibility for the Scheme's investment arrangements.

2. Investment Policy

The Trustees have adopted the following primary objective to help guide them in the strategic management of the assets and control of the various risks to which the Scheme is exposed:

- The Trustees seek to invest the Scheme's assets so as to maximise the likelihood:
  - that benefits will be paid to members as they fall due; and
  - of continued long-term financial support from the Sponsoring Employer, i.e. ensure risks taken are affordable.

3. Day to Day Management of the Assets

Target Investment Structure

The Trustees delegate the day to day management of the Scheme's assets to abrdn Investments Limited ("abrdn").

The benchmark allocation of the overall investment strategy for the Scheme is outlined below:

Asset Class	*Investment Manager*	*Benchmark Allocation*
Diversified Growth	abrdn	20.0%
Index-Linked Gilts	SL Vanguard	45.0%
Fixed Interest Gilts	SL Vanguard	25.0%
Corporate Bonds	SL Vanguard	10.0%
Total		**100.0%**

The Trustees are satisfied that the spread of assets by type and the spread of individual securities within each type provides adequate diversification of investments for risk management purposes.

Realisation of Investments

In general, the Scheme's investment manager has discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments.

Investment Management Fees

Fund Name	*Benchmark*	*Annual Management Charges (% p.a.)*
SL abrdn Diversified Growth Fund	1 Month GBP LIBOR + 5.0% p.a.	0.50%
SL Vanguard UK Inflation Linked Gilt Index Pension Fund	Bloomberg Barclays UK Government Inflation-Linked Float Adjusted Bond Index	0.10%
SL Vanguard UK Long Duration Gilt Index Pension Fund	Bloomberg Barclays UK Government Over 15Y Float Adjusted Bond Index	0.10%
SL Vanguard UK Investment Grade Bond Index Pension Fund	Bloomberg GBP Non-Government Float Adjusted Bond Index	0.10%

Risk Management

There are various risks to which any pension scheme is exposed. The Trustees review these risks at least on a triennial basis to assess the level of risk within the Scheme's asset portfolio relative to the Scheme's liabilities. In particular, the Trustees have considered the following risks:

- The risk of deterioration in the Scheme's funding level.

- The risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustees.

- The risk of a change in attitude to the Scheme by the Sponsoring Employer.
- Liquidity Risk.
- Environmental, Social and Governance ("ESG") risks which are covered in more detail in the following section.

The Trustees acknowledge that it is not possible to monitor all the risks the Scheme is exposed to at all times. However, they seek to accept those risks they expect to be rewarded for over time, in the form of excess returns, in a diversified manner. They also seek to monitor these risks through funding level monitoring, investment reporting, and cashflow advice to mitigate the risks above.

4. ESG, Stewardship and Climate Change

The Trustees believe that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration. The Trustees have taken into account the expected time horizon of the Scheme when considering how to integrate these issues into the investment decision making process.

The Trustees have given appointed investment managers full discretion in evaluating ESG factors, including climate change considerations, and exercising voting rights and stewardship obligations attached to the investments, in accordance with their own corporate governance policies and current best practice, including the UK Corporate Governance Code and UK Stewardship Code. Where their investment manager is a signatory to the UK Stewardship Code the Trustees will ask them to explain not just their strategy but also their culture, values, and business model. The Trustees will monitor their investment manager's voting policy in regards to their Stewardship priorities of climate change, biodiversity, and modern slavery on an annual basis.

Member views are not taken into account in the selection, retention and realisation of investments.

5. Investment Manager Monitoring and Engagement

The policy in relation to the Trustees' arrangements with their investment manager is set out below.

A. <u>Incentivising the investment manager to align its investment strategy and decisions with the Trustees' policies:</u>

The investment manager is appointed based on their capabilities and, therefore, their perceived likelihood of achieving the expected return and risk characteristics required for the asset class for which the Trustees have appointed them.

The Trustees look to their investment consultant for their forward-looking assessment of a manager's ability to outperform over a full market cycle. This view will be based on the consultant’s assessment of the manager’s idea generation, portfolio construction, implementation and business management, in relation to the particular investment fund that the Scheme invests in. The consultant’s manager research ratings assist with due diligence and questioning managers during presentations to the Trustees and are used in decisions around selection, retention and realisation of manager appointments.

If the investment objective of a particular fund changes, the Trustees will review the fund appointment to ensure it remains appropriate and consistent with the Trustees’ wider investment objectives.

As the Trustees invest in pooled investment vehicles they accept that they have no ability to specify the risk profile and return targets of the manager, but appropriate mandates can be selected to align with the overall investment strategy.

B. <u>Incentivising the investment manager to make decisions based on assessments about medium to long-term financial and non-financial performance of a holding company, and to engage with holding companies in order to improve their performance in the medium to long-term:</u>

The Trustees will consider the investment consultant’s assessment of how the investment manager embeds ESG into its investment process and how the manager’s responsible investment philosophy aligns with the Trustees’ responsible investment policy. This includes the investment manager’s policy on voting and engagement.

The Trustees delegate all voting and engagement activities to the investment manager. When required the Trustees will question managers’ voting decisions if they deem them out of line with the investment fund’s objectives or the objectives / policies of the Scheme. The Trustees may challenge decisions made including voting history and engagement activity. The investment manager is aware that their continued appointment is based on their success in delivering the mandate for which they have been appointed to manage. If the Trustees are dissatisfied, then they will look to replace the manager.

C. <u>Aligning the evaluation of the asset manager's performance and the remuneration for asset management services with the Trustees’ policies:</u>

The Trustees review the investment manager’s absolute performance, relative performance against a suitable index used as the benchmark, and against the manager’s stated tracking error (over the relevant time period) on an ad hoc basis.

If the manager is not meeting their investment objectives or their requirements for the mandate have changed, the Trustees may review the mandate and review the annual management charge levied by the manager. The Trustees may also review the mandate should the manager breach any investment guidelines.

D. <u>Monitoring portfolio turnover costs incurred by the asset manager:</u>

The Trustees are able to receive MiFID II reporting from their investment manager but do not analyse the information.

The Trustees do not currently monitor portfolio turnover costs.

E. <u>The duration of the arrangement with the asset manager:</u>

The Trustees are long term investors and are not looking to change the investment arrangements on a frequent basis.

The funds invested in are open-ended funds and therefore there is no set duration for the manager appointments. The Trustees will retain an investment manager unless:

- There is a strategic change to the overall strategy that no longer requires exposure to that asset class or manager;

The manager appointment has been reviewed and the trustees have decided to terminate.

F. <u>The Trustees will engage with their investment manager on significant votes relating to:</u>

- Climate change
- Biodiversity
- Modern slavery

Compliance with and Review of the SIP

The Trustees, their Investment Manager and Mercer, their consultants, (all of whom have been appointed by the Trustees), each have duties to perform to ensure compliance with this Statement. These are:

The Trustees will review the SIP at least once every three years and in response to any material changes to any aspects of the Scheme, its liabilities, finances and the attitude to risk of the Trustees and the sponsoring employer which they judge to have a bearing on the stated investment policy. Any such review will again be based on written, expert investment advice and will be in consultation with the sponsoring employer.

The **Investment Manager**, will exercise their discretionary powers of investment in accordance with applicable legislation and give effect to the principles in the Statement so far as reasonably practicable. The Trustees have undertaken to advise the Investment Manager of any material change to this Statement.

Mercer, the investment consultants, will provide the advice needed to allow the Trustees to review and update the SIP at least once every three years.

Signed: ……………………………………………………

Name: ……………………………………………………

Date: ……………………………………………………

On behalf of the Trustees of the J W Muir Group Plc Staff Pension Scheme

June 2023