Statement of Investment Principles

This is the Statement of Investment Principles made by Clyde Bergemann Pension (Trustees) Ltd, as Trustee (the "Trustee") of the Clyde Bergemann Power Group Pension Scheme ("the Scheme") in accordance with the Pensions Act 1995 (as amended). The Statement, which was approved by the Trustee on 26 June 2023, is subject to periodic review at least every three years and more frequently as appropriate.

In preparing this Statement, the Trustee has consulted with the principal employer to the Scheme (Clyde Bergemann Power Group International Ltd) and has taken and considered written advice from the Investment Practice of Hymans Robertson LLP.

The Trustee reviews the performance of Scheme investments on a regular basis; written advice is taken as appropriate from professional advisers.

Scheme Objective

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefit basis. Following closure of the Scheme in 2012, the Trustee's over-riding funding principles for the Scheme are to set the employer contribution at a level which is sufficient:

- to recover any shortfall in assets relative to the value placed on accrued liabilities over the longer term; and
- to ensure that there are always sufficient assets of the Scheme (at their realisable value) to meet 100% of benefits as they fall due for payment to members.

The value of accrued liabilities is calculated on the basis agreed by the Trustee and the Scheme Actuary. The funding position is monitored regularly by the Trustee and formally reviewed at each triennial actuarial valuation, or more frequently as required by the Pensions Act 2004.

Appropriateness

The policy for securing the appropriateness of the assets is set out in this Statement of Investment Principles

Investment Strategy

The Trustee has translated its objectives into a suitable strategic asset allocation benchmark for the Scheme. The Scheme benchmark is consistent with the Trustee's view on the appropriate balance between seeking an enhanced long-term return on investments and accepting greater short-term volatility and risk. The strategic benchmark is reflected in the choice and mix of funds in which the Scheme invests.

The investment strategy takes due account of the maturity profile of the Scheme (in terms of the relative proportions of liabilities in respect of pensioners and non-pensioner members), together with the level of disclosed surplus or deficit (relative to the funding bases used and the Trustee's view of the covenant of the sponsoring employer).

The Trustee monitors strategy relative to its agreed asset allocation benchmark. It is intended that investment strategy will be reviewed at least every three years following actuarial valuations of the Scheme, and will normally be reviewed annually.

All day to day investment decisions have been delegated to authorised investment managers.

Choosing investments

The Trustee has appointed a number of investment managers to manage the Scheme investments. All investment managers are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Trustee has appointed each of its investment managers to deliver a specific benchmark, which overall will align to deliver the broader Scheme investment strategy. The Trustee ensures that all manager engagements have clearly defined benchmarks, objectives and management parameters.

The Trustee reviews the nature of Scheme investments on a regular basis, with particular reference to suitability and diversification. The Trustee seeks and considers written advice from a suitably qualified person when determining the appropriateness of each manager and mandate for the Scheme, particularly in relation to diversification, risk, expected return and liquidity. If, at any time, investment in a security or product not previously known to the Trustee is proposed, appropriate advice is sought and considered to ensure its suitability.

A summary of the Scheme's investment mandates and the respective benchmarks is included in the appendix.

Kinds of investment to be held

The Scheme may invest in quoted and unquoted securities of UK and overseas markets including equities and fixed interest and index linked bonds, cash, property and commodities either directly or through pooled funds. The Scheme may also make use of contracts for differences and other derivatives (or in pooled funds investing in these products) for the purpose of efficient portfolio management or to hedge specific risks. The Trustee considers all of these classes of investment to be suitable in the circumstances of the Scheme.

Investment strategy

The Trustee Directors ensure that all manager engagements have clearly defined benchmarks, objectives and management parameters. Where appropriate, and where commercial considerations permit, the terms of the mandate and the basis on which the manager is engaged will be defined specifically for the Scheme. Where such tailoring is not directly achievable, the Trustee will invest in pooled funds where the objectives of the fund and the policies of the investment manager will be evaluated by the Trustee to ensure that they are appropriate for the needs of the Scheme.

The Trustee is satisfied that the pooled funds selected are consistent with the objectives of the Scheme, particularly in relation to diversification, risk, expected return and liquidity.

Investment manager remuneration

Remuneration for each mandate is determined at the inception of each mandate based on commercial considerations and typically set on an ad valorem basis. Where appropriate to the nature of the mandate, the term of the mandate and the role the mandate plays within the investment strategy, the Trustee may agree to a fee structure where the manager is incentivised to deliver outperformance relative to an agreed benchmark, typically in conjunction with a lower ad valorem fee. The Trustee periodically reviews the fees paid to all of its managers against industry standards.

Investment time horizon

The Trustee recognises the long term nature of the Scheme's liability profile and appoints its managers to invest in such a way that generates long term sustainable returns. The Trustee will carry out necessary due diligence on the underlying investment decision making process, to ensure the manager makes investment decisions over an appropriate time horizon aligned with the Scheme's objectives.

The duration of each mandate is determined by the Trustee at the inception of each mandate. For open-ended investments, the Trustee generally engages managers on an ongoing basis with no pre-determined term of appointment. For such mandates, the Trustee expects the minimum duration of the appointment will be three years, this being the period over which performance of the mandate can be appropriately evaluated although all mandates are subject to ongoing review against various financial and non-financial metrics in addition to their continued appropriateness within the investment strategy. For closed-ended investments, the Trustee expects the term of the appointment to be the lifetime of the investment.

Balance between different kinds of investments

The Scheme's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks or return targets. Within each major market each manager will maintain a diversified portfolio of stocks. The manager of the passive funds in which the Scheme invests holds a mix of investments within each pooled fund that reflects that of their respective benchmark indices.

Expected return on investments

The investment strategy aims to achieve a return on Scheme assets which taken in conjunction with contributions is sufficient over time to match growth in the Scheme's pension liabilities.

Realisation of investments

The majority of the pooled funds in which the Scheme invests may be realised quickly if required. Property, which represents approximately 5% of total Scheme assets at the date of writing, may however be difficult to realise quickly in certain circumstances.

Risk

The Scheme is exposed to a number of risks which pose a threat to the Scheme meeting its objectives. The principal risks affecting the Scheme are:

Funding risks

- Financial mismatch – The risk that Scheme assets fail to grow in line with the developing cost of meeting the liabilities including increases in benefit payments relating to unexpected increases in inflation.

- Changing demographics –The risk that longevity improves and other demographic factors change, increasing the cost of the Scheme benefits.

- Systemic risk - The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial 'contagion', resulting in an increase in the cost of meeting the Scheme's liabilities.

The Trustee measures and manages funding risks in a number of ways.

The Trustee has set a strategic asset allocation benchmark for the Scheme. It assesses risk relative to that benchmark by monitoring the Scheme's asset allocation and investment returns relative to the benchmark. The Trustee also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

- The Trustee keeps mortality and other demographic assumptions, which could influence the cost of benefits, under review. These assumptions are considered formally at triennial valuations.The Trustee seeks to mitigate systemic risk through a diversified portfolio but it is not possible to make specific provision for all possible eventualities that may arise under this heading.

Asset risks

- Concentration - The risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity - The risk that the Scheme cannot meet its immediate liabilities because it has insufficient liquid assets.
- Currency risk – The risk that the currency of the Scheme's assets underperforms relative to Sterling (i.e. the currency of the liabilities).
- Manager underperformance - The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.
- Environmental, Social and Governance (ESG) risks – the extent to which ESG issues are not reflected in asset prices and/or not considered in investment decision making leading to underperformance relative to expectations.
- Climate risk - The extent to which climate change causes a material deterioration in asset values as a consequence of factors including but not limited to policy change, physical impacts and the expected transition to a low-carbon economy.

The Trustee manages asset risks in a number of ways.

- Ensuring that there is sufficient diversification across a range of asset classes and within each asset class to reduce potential concentration risks.
- The majority of assets are liquid and readily realisable in the short term.
- The Trustee has appointed several investment managers to minimise the impact of a particular manager underperforming. In addition, each mandate has a defined objective, benchmark and guidelines and constraints which ensure that the risk within it are limited.
- The majority of the Scheme's mandate are sterling denominated or the manager is expected to hedge currency exposures back to sterling.
- The Trustee meet with its investment managers periodically.
- The Trustee's approach to the consideration of ESG risks including climate risk is set out in further detail in later sections.

Other provider risk

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the Trustee seeks professional advice.
- Custody risk - The risk of losing economic rights to Scheme assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.
- Operational risk – The risk of loss as a result of fraud, cyber attacks, poor advice, acts of negligence or lack of suitable process.
- Legislative risk – The risk that managers of the Scheme fail to comply with changes to legislation.

The Trustee monitors and manages risks in these areas through a process of regular monitoring of its providers or has delegated such monitoring and management of risk to the appointed investment managers as appropriate (e.g. custody risk in relation to pooled funds).

Manager engagement

Performance Evaluation

The Trustee does not expect managers to take excess short term risk and will regularly monitor the manager's performance against the benchmarks and objectives set on a short, medium and long term basis.

The Trustee also seeks information from its investment managers on meeting objectives of the mandates and exercising stewardship responsibilities (including engagement with issuers) as set out in greater detail in the Stewardship & Engagement section, and the management of risks. Material deviation from performance or risk targets is likely to result in the mandate being formally reviewed.

The Trustee draws input from its investment advisors to provide input and analysis to support any such review of and engagement with its investment managers. Where necessary, the Trustee will highlight any areas of concern identified during such reviews to the manager as part of its engagement process and request that the manager takes appropriate action. This may include concerns over performance, risk management, stewardship practices, investment process and operational issues and, where such concerns are raised, the Trustee will require the manager to demonstrate levels of improvement. Failure to achieve the desired improvements may result in the mandate being reduced or terminated.

Portfolio turnover

The Trustee has expectations of the level of turnover within each mandate which is determined at the inception of the mandate, based on the Trustee's knowledge of the manager, investment process and the nature of the portfolio. Whilst the Trustee expects performance to be delivered net of costs, including the costs of trading within the portfolio, the Trustee expects managers to report on at least an annual basis on the underlying assets held within the portfolio and details of any transactions over the period. The Trustee will challenge its managers if there is a sudden change in portfolio turnover or if the level of turnover seems excessive.

The Trustee will request turnover costs incurred by the asset manager over the Scheme reporting year. Where possible the Trustee will compare costs to the theoretical portfolio turnover and cost for an appropriate index.

Consideration of financially material factors in investment arrangements

The Trustee recognises that a number of factors, including ESG factors create uncertainty in the future returns that may be achieved from their investment strategy. In framing the Scheme's strategic asset allocation, the Trustee has considered market level assumptions which reflect the combined impact of all operational factors, including ESG factors, on the risk and return from a particular asset class.

The Trustee will consider such factors in the development and implementation of their investment arrangements, for the purposes of determining the selection, retention and realisation of investments, where there is sufficient data or evidence to allow them to systematically do so. Where there is not sufficient data or evidence, they will engage with their investment managers to ensure they take such considerations into account within their decision making.

Strategic considerations

The strategic benchmark has been determined using appropriate long-term economic and financial assumptions from which expected risk/return profiles for different asset classes have been derived. These assumptions apply at a broad market level and are considered to implicitly reflect all financially material factors.

Given the inherent uncertainty, the Trustee has not made explicit allowance for the risks of climate change in setting their strategic benchmark. The Trustee periodically discusses climate change with their investment adviser/investment managers to consider the potential implications for the Scheme's investments.

Structural considerations

Given the discretion afforded to the active Investment Managers, the Trustee expects that their Investment Managers will take account of all financially material factors including the potential impact of ESG factors in the implementation of their mandate.

In passive mandates, the Trustee recognises that the choice of benchmark dictates the assets held by the investment manager and that the manager has minimal freedom to take account of factors that may be deemed to be financially material. The Trustee accepts that the role of the passive manager is to deliver returns in line with the benchmark and believe this approach is in line with the basis on which their current strategy has been set. The Trustee will review the index benchmarks employed by the Scheme on at least a triennial basis.

Within active mandates, the Trustee has delegated responsibility for the consideration of stock specific issues to the individual Investment Managers. The Trustee has discussed the extent to which ESG issues, where relevant to the investment mandate, are integrated into the investment processes of their Investment Managers and are satisfied that the Investment Managers are following an approach which takes account of all financially material factors.

Selecting investment managers

In selecting new investment managers for the Scheme, where relevant to the investment mandate, the Trustee explicitly considers potential managers' approach to responsible investment and the extent to which managers integrate ESG issues in the investment process as a factor in their decision making.

Consideration of non-financially material factors in investment arrangements

There are no exclusions or restrictions applied to investment arrangements based on non-financially material factors.

Stewardship & Engagement

The Trustee recognises that stewardship encompasses the exercise of voting rights, engagement by and with investment managers and the monitoring of compliance with agreed policies.

Voting and engagement

The Trustee has adopted a policy of delegating voting decisions on stocks to their Investment Managers who will exercise the voting rights attached to individual investments on their behalf in accordance with their own house policy. Where relevant, the Trustee has reviewed the voting policies of their Investment Managers and the approach adopted and determined that these policies are appropriate. On an annual basis, the Trustee will request their Investment Managers provide details of any change in their house policy.

The Trustee annually reviews the investment managers' adherence to the UK Stewardship Code, UNPRI and other relevant industry codes or standards where applicable. In the event that a manager does not adhere to a recognised set of principles for responsible investment, the Trustee will take reasonable steps to ensure that they are comfortable with the policy that the manager has in place in respect of this.

The Trustee does not engage directly but believes it is appropriate for its investment managers to engage with key stakeholders which may including corporate management, regulators and governance bodies, relating to their investments in order to consider the management of conflicts of interest and improve corporate behaviours, improve performance and mitigate financial risks. Where necessary, investment managers are expected to notify the Trustee of any issue on which it may be beneficial for the Trustee to undertake further engagement. The

Trustee will review engagement activity undertaken by their investment managers as part of its broader monitoring activity.

Responsibility for investment decisions has been delegated to the investment managers which includes consideration of the capital structure of investments and the appropriateness of any investment made. Where managers are responsible for investing in new issuance, the Trustee expects the manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The Trustee separately considers any conflicts of interest arising in the management of the Scheme and its investments and has ensured that each manager has an appropriate conflicts of interest policy in place.

Monitoring

The Trustee reviews voting activity on a periodic basis in conjunction with their investment adviser. The Trustee may also monitor Investment Managers' voting on particular companies or issues affecting more than one company. Investment Managers report on voting activity to the Trustee on a periodic basis. Where the Trustee deems it appropriate, they will raise issues of concern in respect of voting activity directly with their manager.

The Trustee aims to meet with all their Investment Managers periodically. The Trustee provides their managers with an agenda for discussion, including issues relating to individual holdings and, where appropriate, ESG issues. Managers are challenged both directly by the Trustee and by their investment advisers on the impact of any significant issues including, where appropriate, ESG issues that may affect the prospects for return from the portfolio.

Additional Voluntary Contributions (AVCs)

The Trustee gives members the opportunity to pay AVCs to Utmost. A range of equity and bond funds was available for investment at members' discretion. The objective of the Scheme's AVC arrangement was to offer members of the Scheme the chance in increase their income in retirement by making additional contributions in addition to those they are making into the Scheme.

Signed For and on Behalf of the Trustee of the Clyde Bergemann Power Group Pension Scheme.

Signed and dated:

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Trustee Director

George Emmerson

Name

27-Jun-2023 | 16:53 BST

Date