Princes (1977) Pension Scheme

Statement of Investment Principles – June 2024

1. Introduction

The Trustees of the Princes (1977) Pension Scheme (the "Scheme") have drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995 (the "Act") and associated legislation, including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended).

The Statement is intended to affirm the investment principles that govern decisions about the Scheme's investments. The Trustees' investment responsibilities are governed by the Scheme's Trust Deed and Rules, of which this Statement takes full regard.

In preparing this Statement the Trustees have consulted a suitably qualified person by obtaining written advice from Mercer Limited ("Mercer"). In addition, consultation has been undertaken with the sponsoring company, Princes Limited (the "Company"), to ascertain whether there are any material issues of which the Trustees should be aware in agreeing the Scheme's investment arrangements and, in particular on the Trustees' objectives.

In making decisions the Trustees seek professional advice. Following such advice, the Trustees undertake dialogue from which a decision is made. A sub-committee of the Trustees will be convened from time to time to discuss particular issues. The sub-committee has no decision making powers, but can recommend a course of action to the Trustees.

2. Investment and Funding Objectives

In February 2024, the Trustees undertook a "buy-in" by using the majority of the Scheme's assets to purchase a bulk annuity insurance policy with Aviva Life & Pensions UK Limited (Aviva), a UK insurance company authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority. Under this policy, Aviva undertake, via the Scheme, to pay the Scheme's benefit obligations as they fall due. The Trustees purchased the policy with Aviva having considered appropriate advice from its advisors. The remaining Scheme assets are invested in the funds detailed in Section 2.4, and the monies held in the cash fund will be used to fund any ongoing expenses.

The Trustees' objective is to invest the Scheme's assets in the best interest of the members and beneficiaries, and in the case of a potential conflict of interest in the sole interest of the members and beneficiaries.

Within this framework the Trustees have agreed a number of objectives to help guide them in their strategic management of the assets and control of the various risks to which the Scheme is exposed. The Trustees' primary objectives are as follows:

- *To ensure that the Scheme can meet its obligations to the beneficiaries.*
- *To provide protection for members' accrued benefits.*

The Trustees believe the best way of achieving this is by securing all members' benefits with an insurance company. It is noted that the Trustees have deferred the payment of approximately 4% of the insurer premium, with these 'residual' assets being held outside of the arrangements with Aviva as referred to later in this Statement.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustees determine to be financially material considerations. Non-financial considerations are discussed in Section 10.

3. Process For Choosing Investments

The Trustees have considered their objectives for investing the Scheme's assets and constructed a portfolio of investments consistent with these objectives.

The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 and subsequent legislation.

Following the completion of the buy-in, the Trustees received advice from Mercer regarding the re-investment of the Scheme's residual assets into appropriate funds that broadly match the Scheme's remaining interest rate and inflation sensitivities, whilst providing a high degree of liquidity and capital protection in relation to the investments to be held in cash.

In this capacity, the Scheme's residual assets beyond the bulk annuity policy are now invested in multi-client collective investment schemes ("Mercer Funds") managed by a management company (Mercer Global Investments Management Limited ("MGIM")). MGIM has appointed Mercer Global Investments Europe Limited ("MGIE")) as investment manager of the Mercer Funds. In practice, MGIE delegates the discretionary investment management for the Mercer Funds to third party investment managers based in countries such as Ireland, UK and USA and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund. Mercer has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Scheme's assets on a day-to-day basis.

In considering the appropriate investments for the Scheme, the Trustees have obtained and considered the written advice of Mercer, whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

4. Risk Management and Measurement

There are various risks to which any pension scheme is exposed. The Trustees' policy on risk management over the Scheme's anticipated lifetime is as follows:

- The risks that arise through a mismatch between the Scheme's assets and its liabilities and the Sponsor's ability to support this mismatch risk.
- The Trustees have sought to mitigate this primary risk by the purchase of a bulk annuity policy. The Trustees have appointed Aviva as the annuity provider having obtained and considered written advice. The policy is an asset of the Scheme. Broadly speaking, under the policy, Aviva make payments equal to the benefit payments due to members as specified in the data provided to Aviva.
- The Trustees acknowledge a number of risks remain having purchased the bulk annuity:

  1) Counterparty risk – the risk that Aviva may default on its obligations under the bulk annuity policy. Before entering into the bulk annuity contract, the Trustees obtained and carefully considered professional advice regarding the financial strength of Aviva. The Trustees accepted the advice, namely that Aviva was financially strong and had sufficient capital resources to support the proposed transaction and that,

correspondingly, there was no reason in relation to financial strength why the transaction should not proceed. In addition, the Trustees are aware that there is a level of protection offered to members by the Financial Services Compensation Scheme ("FSCS").

2) Liquidity risk – the risk that the Scheme's assets are not sufficiently liquid to meet the Scheme's cashflow requirements. The Trustees do not expect to be able to obtain cash from the bulk annuity policy other than in respect of benefits insured with Aviva. Prior to purchasing the policy, the Trustees were satisfied that all known members' benefits would be insured in full.

3) Lack of diversification – The Trustees recognise that entering into an annuity contract with a single provider represents a concentration of risk. However, the Trustees are satisfied that this risk is acceptable after due diligence on the provider.

- The Scheme also invests residual assets in three Mercer Funds (namely passive gilt funds and a cash fund). The passive gilt funds are held to provide interest rate and inflation sensitivity in order to manage the risk that the deferred premium payment, or the cost of securing additional benefit payments, using residual assets, increases due to these factors. The cash fund in which the Scheme invests is subject to small amounts of interest rate risk, inflation risk and credit risk. The aim of the fund is to provide capital security and liquidity.

- This is not an exhaustive list of risks that the Scheme's investments may face, but serves to highlight some of the key risks identified to date.

- The safe custody of the Scheme's assets held outside the bulk annuity policy is delegated to professional custodians via the use of pooled vehicles.

Should there be a material change in the Scheme's circumstances, the Trustees will review whether and to what extent the investment arrangements should be altered; in particular whether the current risk profile remains appropriate.

5. Investment Strategy

The Trustees are accountable for the investment of the Scheme's assets. The Trustees delegate some aspects of the Scheme's investment arrangements in order to manage the Scheme's affairs effectively.

The Trustees, following consultation with the Sponsoring Company, purchased a bulk annuity policy issued by Aviva. Aviva is authorised by the Bank of England Prudential Regulation Authority to write contracts of long-term life insurance of this nature in the UK.

In addition, the Trustees invest residual balances in gilt funds, a cash fund and a bank account. All investment decisions including strategic asset allocation and monitoring of the Investment Manager are based on advice received from the Investment Consultant. Mercer has been appointed for this purpose.

6. Day-to-Day Management of the Assets*Assets outside of the Bulk Annuity Policy*

The Trustees invest the residual assets of the Scheme in pooled funds provided by Mercer. The Scheme's assets are held in passive gilts and a cash fund.

The residual assets' strategic allocation was implemented after considering written advice over time:

Fund	Initial Allocation	Benchmark Index
MGIE UK Long Gilt Fund	15.5%	FTSE Actuaries UK Conventional Gilts Over 15 Years Index
MGIE UK Inflation Linked Bond Fund	62.0%	FTSE Actuaries UK Index-Linked Gilts Over 5 Years Index
MGIE UK Cash Fund	22.5%	FTSE GBP 1 Month Euro Deposit
Total	**100.0%**	

These allocations will not be automatically rebalanced.

The Investment Manager has full discretion to buy and sell investments on behalf of the Scheme, subject to agreed constraints and applicable legislation. The Trustees have taken steps to satisfy themselves that the Investment Manager has the appropriate knowledge and experience for managing the Scheme's investments.

6.2 *Investment Management Arrangements*

Alignment of Insurer Objectives and Incentivisation

Aviva have been appointed with the aim of insuring the Scheme's liabilities and reducing the Scheme's funding volatility. The Trustees sought expert advice in relation to this appointment. This includes an assessment of Aviva's capabilities, knowledge and experience. The annuity policy is managed in line with the Scheme's specific liabilities and investment requirements. Therefore, the policy is aligned with the Trustees' objectives and the terms of the policy incentivise Aviva to meet the Trustees' objectives. The Trustees understand that they have no ability to determine or influence the assets in which Aviva invests. The Trustees recognise that the annuity investment is illiquid and cannot be traded.

The objective for the passive gilt funds is to track the total return of the relevant market index, within specified tolerances (see below).

Fund	Expected Tracking Error ±% p.a. over 5 year rolling periods
MGIE UK Long Gilt Fund	Less than 0.25
MGIE UK Inflation Linked Bond Fund	Less than 0.25
MGIE UK Cash Fund	0.5

The MGIE UK Cash Fund is invested with the aim of achieving a cash return while minimising risk. This is aligned with the Trustees' objectives.

The Trustees can terminate Mercer's appointment with minimal notice if they become concerned over Mercer's ability to deliver against these objectives.

Performance Assessment & Fees

The insurer does not receive on-going remuneration from the Scheme. The premium paid for the annuity policy covers the insurer's implicit fees with the Trustees' choice of insurer taking the size of the premium into account. The Trustees are satisfied that this is the most appropriate basis for remunerating the insurer.

Mercer receive income on the Mercer Funds as a percentage of the amount invested. Performance is assessed against the applicable benchmark indices.

Portfolio Turnover Costs

The obligation of the insurer to make payments is not impacted by on-going turnover costs and is not considered by the Trustees.

The gilts and cash funds' trading costs are minimal. As such the Trustees do not intend to monitor turnover costs explicitly in relation to these holdings.

6.3 *Cash Flow Management*

Regular payments to the Scheme in respect of the insured members and their benefit entitlements are made under the annuity contract. These payments are available to meet the Scheme's cash outflows.

6.4 *Additional Assets*

Assets in respect of members' Additional Voluntary Contributions are invested in a range of unit linked funds or With Profits funds managed by Friends Provident, Equitable Life and Clerical Medical.

6.5 *Custodian*

The role of a custodian is to ensure the safe keeping of the assets, record keeping and to facilitate all transactions entered into by the appointed investment managers. The assets are held in a bulk annuity insurance policy or in pooled funds.

Custodianship of underlying assets is the responsibility of Aviva and Mercer. Mercer has appointed State Street Custodial Services (Ireland) Limited ("State Street") as custodian of the assets invested in their pooled vehicles. Mercer is responsible for keeping the suitability of State Street under ongoing review.

7. Realisation of Investments

The selection of investments is carried out in a way consistent with the overall principles set out in this Statement.

Regular payments to the Scheme in respect of the insured members and their benefit entitlements are made under the annuity contract. These payments are available to meet the Scheme's cash outflows.

The Trustees on behalf of the Scheme also own units in the Mercer Funds. In its capacity as investment manager to the Mercer Funds, MGIE, and the underlying third-party asset managers appointed by MGIE, within parameters stipulated in the relevant appointment documentation, have discretion in the timing of the realisation of investments and in considerations relating to the liquidity of those investments.

8. Environmental, Social and Corporate Governance, Stewardship and Climate Change

The Trustees believe that good stewardship and environmental, social and governance ("ESG") issues may have a material impact on investment risk and return outcomes. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that may increasingly require explicit consideration.

The Trustees have implicitly delegated consideration of ESG issues, engagement and stewardship obligations to Aviva in relation to the majority of Scheme's assets via a bulk annuity contract, and to Mercer in relation to 'residual' invested assets. The annuity contract makes contractual payment to the Scheme dependent only on the benefits payable under the contract. As a result, the Trustees have minimal direct exposure to risks arising from long-term sustainability issues, including climate change. They are however satisfied that Aviva apply due consideration to ESG issues in the investment of assets underlying the contract.

Given the nature of the Scheme's investment policy, member views and non-financially material considerations are not taken into account in the selection, retention and realisation of investments.

9. Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments. The Sponsoring Company will be consulted on any changes to this Statement.

10. Reporting Requirements

The assets held with Mercer are reviewed on a quarterly basis using quarterly reports prepared by Mercer, covering valuation of investments held by the Scheme, along with details of how the funds used have performed relative to the long-term benchmark expectations.

11. Compliance with this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments. The Sponsoring Company will be consulted on any changes to this Statement.

12. Role of the Investment Consultant

Mercer is engaged as Investment Consultant to the Scheme. The Investment Consultant provides advice to the Trustees but does not have responsibility for decision making in any area. The role encompasses, but is not limited to, the following areas:

- Assistance in helping the Trustees formulate investment objectives.
- Advice on investment strategy.
- Advice on devising an appropriate investment manager structure.
- Assistance in selecting and monitoring of investment managers.