Prosper de Mulder Group Pension Scheme

Statement of Investment Principles – July 2024

1. Introduction

The Trustees of the Prosper de Mulder Group 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.

In preparing this Statement the Trustees have consulted SARIA 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. The Trustees have also received and considered written advice from Mercer Limited ("Mercer").

This statement replaces the previous statement dated July 2022.

2. Process For Choosing Investments

In considering the appropriate investments for the Scheme, the Trustees have obtained and considered the written advice from 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).

3. Investment Objectives

The Trustees primary objective is to act in the best interest of its members and beneficiaries and in the case of a potential conflict of interest, in the sole interest of the members and beneficiaries.

In Q1 2022, the Trustees agreed to purchase an insurance policy with Legal & General Assurance Society Limited (Legal & General), a UK Insurance Company authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority. In due course, the intention is that the buy-in assets will be moved to a buy-out contract and the Scheme will be wound up.

Under the current policy, Legal & General are obliged to make payments to meet the Scheme's liabilities in respect of the benefits under the policy. The Trustees selected Legal & General having considered appropriate advice from their advisors.

Over the buy-in period before wind-up, where an exact match between Scheme's benefits and insured benefits is not possible, a surplus remains to approximately reserve for additional costs shortly after the main buy-in premium is paid to Legal & General. This surplus will also be used to reserve for other estimated costs such as Scheme expenses. The Trustees will periodically review the surplus assets, with a view to position the surplus assets in line with the Trustees' intended use of the surplus assets.

As at 30 June 2024, the surplus assets are invested in line with the below table. The allocation will be reviewed periodically by the Trustees.

Sub-Fund Name	Share Class* Hedged / Unhedged	30 June 24 Allocation (%)
MGI UK Inflation Linked Bond Fund	Unhedged	3.9%
MGI UK Long Gilt Fund	Unhedged	22.1.%
Mercer Tailored Credit Fund 1	Unhedged	47.5.%
MGI UK Cash Fund	Unhedged	26.4%

4. Risk Management and Measurement

There are various risks to which any pension scheme is exposed. The Trustees' policy on risk management is as follows:

- The primary risk upon which the Trustees focus is that arising through a mismatch between the Scheme's assets and its liabilities. This risk has been greatly reduced through the purchase of the insurance policy with Legal & General as under this policy, Legal & General, via the Scheme, meet the members' benefit obligations in full.

- Investments in annuity policies represent a concentration of risk that the annuity provider does not make the required payments. These policies are governed by substantial insurance market solvency regulations and, as such, the Trustees believe this risk is low. The Trustees have further mitigated this risk through careful choice of provider and contract terms. The Trustees recognise that annuities are illiquid but are comfortable with this risk given there is no expectation to exit the insurance policy except in the instance of converting it to a full buy-out.

- The Trustees recognise that the Scheme is exposed to operational risk in relation to the buy-in with Legal & General, who are taking on the majority of risks in relation to the Scheme's liabilities.

- Arrangements are in place to monitor the Scheme's investments to help the Trustees check that nothing has occurred that would bring into question the continuing suitability of the Scheme's investments.

- To help the Trustees ensure the continuing suitability of the Scheme's surplus investments, the Trustees delegate responsibility for the selection, removal and ongoing monitoring of the Scheme's investment managers to Mercer. Mercer provides the Trustees with regular reports regarding the performance of the underlying asset managers appointed within the relevant Mercer Funds to enable the monitoring of differences between the expected and experienced levels of risk and return.

- The Trustees recognise that environmental, social and corporate governance concerns, including climate change, have a financially material impact on return. Section 6 sets out how these risks are managed.

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

5. Cash flow Policy

There will be no automatic rebalancing between the underlying Mercer Funds in the account.

In the event of any cash flows into or out of the account, Mercer will trade these as soon as reasonably practicable and in line with the Manager's best execution policy. Any intermittent expenses will be covered by the balance in the Trustee Bank Account.

6. 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.

As noted above, the Trustees have appointed Mercer to act as discretionary investment manager in respect of the Scheme's assets not held with Legal & General and such assets are invested in a range of Mercer Funds managed by MGIE. Asset managers appointed to manage the Mercer Funds are expected to evaluate ESG factors, including climate change considerations, and exercise 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.

The Trustees consider how ESG, climate change and stewardship are integrated within the investment processes of both Mercer and MGIE, and those of the underlying asset managers in the monitoring process. Mercer and MGIE are expected to provide reporting to the Trustees on a regular basis, at least annually, on ESG integration progress, stewardship monitoring results, and climate-related metrics such as carbon foot printing for equities and/or climate scenario analysis for diversified portfolios.

Member views

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

Investment Restrictions

The Trustees have not set any investment restrictions in relation to particular Mercer Funds.

7. Trustees' policies with respect to arrangements with, and evaluation of the performance and remuneration of, asset managers and portfolio turnover costs

When engaging Mercer as discretionary investment manager to implement the Trustees' investment strategy outlined in section 3, the Trustees are concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Scheme, in particular, long-term liabilities.

As Mercer manages the Scheme's assets by way of investment in Mercer Funds, which are multi-client collective investment schemes, the Trustees accept that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds. However, the Trustees expect Mercer to manage the assets in a manner that is consistent with the Trustees' overall investment strategy, as outlined in section 3. The Trustees have taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.

Should Mercer fail to align its investment strategies and decisions with the Trustees' policies, it is open to the Trustees to disinvest some or all of the assets invested managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer's appointment.

To evaluate performance, the Trustees receive, and consider, investment performance reports produced on a quarterly basis, which presents performance information and commentary in respect of the Scheme funding level and the Mercer Funds in which the Trustees are invested. Such reports have information covering fund performance for the previous three months, one year, three years and since inception. The Trustees review the absolute performance and relative performance against a portfolio's and underlying investment manager's benchmark (over the relevant time period) on a net of fees basis. The Trustees' focus is on the medium to long-term financial and non-financial performance of Mercer and the Mercer Funds.

Neither Mercer nor MGIE make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long-term. The Trustees are, however, able to consider the assessment of Mercer and MGIE of how each underlying third party asset manager embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustees' own responsible investment policy. This includes the asset managers' policies on voting and engagement.

Section 6 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund's investment objectives or the objectives/policies of the Scheme

The asset managers are incentivised as they will be aware that their continued appointment by MGIE will be based on their success in meeting MGIE's expectations. If MGIE is dissatisfied then it will, where appropriate, seek to replace the manager.

The Trustees are long-term investors and are not looking to change their investment arrangements on an unduly frequent basis. However, the Trustees do keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above.

The Trustees monitor and evaluate the fees the Scheme pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives, as outlined in section 3. Mercer's and MGIE's fees are based on a percentage of the value of the Scheme assets under management, which covers the design and annual review of the investment strategy, and investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. In some instances, some of the underlying managers may also be entitled to charge fees based on their performance.

MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Scheme. The fees of Mercer, MGIE and the third party asset managers are outlined in a quarterly investment strategy report prepared for the Trustees, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.

Details of all costs and expenses are included in the Mercer Fund's Supplements, the Report & Accounts and within the Scheme annualized, MiFID II compliant Personalised Cost & Charges statement. The Scheme's Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Mercer Funds.

The Trustees do not have an explicit targeted portfolio turnover range, but rebalancing ranges have been designed to avoid unnecessary transaction costs being incurred by unduly frequent rebalancing. Performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying investment managers undertaken by MGIE.

8. Custodian

Custodian

The role of a custodian is to ensure the safe keeping of the assets and facilitate all transactions entered into by the appointed investment managers.

The Trustees are not responsible for the appointment of the custodian of the assets contained within the various pooled fund investments. However, the Trustees are comfortable that the investment manager has procedures in place for the appointment and monitoring of the relevant custodians and for conducting periodic reviews.

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 believes 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 Trustees of the Prosper de Mulder Group Pension Scheme