

STATEMENT OF INVESTMENT PRINCIPLES

**J.E.B. Engineering Design Limited Retirement
Benefits Scheme**

MAY 2023

Introduction

Under section 35 of The Pensions Act 1995 as amended by section 244 of the Pensions Act 2004 and The Occupational Pension Schemes (Investment Regulations 2005), the Trustees are required to prepare a statement of the principles governing investment decisions for the purposes of the Scheme. This document fulfils that requirement.

In preparing this Statement, the Trustees have obtained advice from the Scheme Actuary in terms of strategic Asset Allocation, and the Scheme Investment Managers, MM Wealth. The Trustees will similarly obtain such advice as appropriate whenever they intend to review or revise the Statement.

In preparing this Statement, the Trustees have consulted the Employer and will do so whenever the Trustees intend to review or revise the Statement. Responsibility for maintaining the Statement and deciding investment policy rests solely with the Trustees.

The Trustees will review this Statement on such occasions as may appear to them to be appropriate.

Scheme description

J.E.B. Engineering Design Limited Retirement Benefits Scheme ("the Scheme") is a defined benefit scheme and was established on 8 June 1976 to provide retirement benefits to all eligible employees of J.E.B. Engineering Design Limited and its group companies. The Scheme has been closed to future accrual since 31 October 2003. It has as its purpose the provision of retirement benefits and death benefits to eligible participants and beneficiaries.

Investment objectives

The Trustees have a duty to invest the assets of the Scheme in the best interests of their members and beneficiaries. The general investment objectives of the Scheme can be summarised as:

- The acquisition of suitable assets of appropriate liquidity that will generate income and capital growth to meet, together with contributions from the employers, the cost of current and future benefits that the Scheme provides as set out in the Trust Deed and Rules.
- To limit the risk of the assets failing to meet the liabilities over the long term.
- To minimise the long-term costs of the Scheme by maximising the return on the assets while having due regard to the preceding objectives.
- To ensure that sufficient assets are available to meet members' benefits as and when they fall due.
- To assist in achieving the long and short term funding objectives described in the Trustees' Statement of Funding Principles.
- To invest Scheme assets so as to obtain the best rate of return compatible with the

above aims while governing exposure to risk (see below).

It is the current policy of the Trustees to pay the benefits of pensions in payment from the fund rather than purchase annuities, except in their opinion where it would be inappropriate to do so.

The greater part of the investments of the fund's assets are invested under a discretionary mandate with the Trustees' Investment Managers in accordance with parameters set out below by the Trustees. The balance of the fund is held in cash to facilitate the smooth operation of the Scheme.

Having taken advice and considered the views of the sponsoring Employer, the Trustees believe that the Scheme should be invested in a diversified range of investment classes targeted to achieve reasonable investment growth without excessive volatility. Figures provided to the Trustees by MM Wealth indicate that the asset allocation noted below should achieve an expected total return of 5% pa, as measured over a rolling three year period, with an expected volatility below that of global equities (as measured by the MSCI World Index). Based on information provided by the Actuary and Scheme Advisers, using reasonable assumptions, the Trustees believe that targeted investment growth of 5% per annum, net of all charges, is both achievable and reasonable and does not require an excessive level of risk to be taken. The Trustees understand that the asset mix required in order to achieve their objectives will change from time to time, as will the targeted level of return itself. The Trustees will also consider the levels of acceptable risk when setting the strategic asset allocation.

The Trustees consider that this policy represents investment in suitable investment classes, is appropriately diversified and provides a reasonable expectation of meeting the above objectives. In normal circumstances, the Trustees would expect the asset allocation to fall within the following ranges:

Investment sector	Weighting range
Cash	0% to 10%
Fixed Interest/Credit (inc Structured Products)	45% to 65%
Property	0% to 15%
UK Equity	10% to 25%
Overseas Equity	15% to 30%
Other (agreed in advance)	0% to 20%

The assets of the Scheme considered by the Trustees include, but are not limited to, fixed interest, index-linked government bonds, corporate bonds, equities, private equity, absolute return strategies, commercial property, infrastructure, hedge funds, commodities, structured products, derivatives, currency and cash. As such, assets may be invested in the UK or overseas.

The Trustees, in conjunction with the Scheme's administrator, will hold sufficient cash to meet the likely expenditure on benefits and expenses from time to time. The Trustees will

also hold sufficient assets in liquid investments to meet unexpected cash flow requirements in the majority of foreseeable circumstances.

Investment management, voting rights and engagement activities

In view of the size and nature of the Scheme, the Trustees feel that, for the foreseeable future, it is appropriate for most of the Scheme's assets to be invested in a mixture of collective and direct investments (including derivatives) as determined as part of a discretionary mandate held by the Investment Managers, and invested in accordance with the asset allocation as described above.

The Trustees will review whether this type of investment strategy remains suitable for the Scheme annually, after actuarial valuations and after considering written advice. Decisions relating to the appointment and/or changes to the Investment Managers, or to changes to the strategic asset allocation, will be taken periodically in formal meetings of the Trustees. The strategic asset allocation remains under regular review. The Trustees, in conjunction with their Investment Managers and the Scheme Actuary, review the mix of assets within the portfolio in order to take advantage of opportunities to de-risk, hedge or add more risk dependant on the market environment.

The Trustees and their Investment Managers are aware of the need for appropriate and suitably diversified investments that recognise the nature of pension scheme liabilities. The Trustees and their Investment Managers will exercise their powers of investment in such a manner as to give effect to this Statement so far as is reasonably practicable.

The Trustees leave the extent to which social, environmental (including climate risk/opportunities) and governance are taken into account in investment decisions to the discretion of their Investment Managers. The Trustees will regularly review the extent to which social, environmental or ethical considerations are taken into account in investment decisions and the impact in relation to financially material considerations including climate change. The Trustees' policy is to encourage the exercising of rights (including voting rights) attaching to investments, but responsibility for exercising such rights is delegated to those managing the investments. The Trustees will review annually the effectiveness of their Investment Manager's stewardship in relation to this policy, or more frequently should circumstances require.

Where applicable, the Trustees accept that the assets invested in pooled funds are subject to the underlying managers' policies on corporate governance. The Trustees are satisfied that this corresponds with their responsibility to invest the assets in the best interests of members and beneficiaries and, in the case of a potential conflict of interest, in the sole interest of their members and beneficiaries.

The Trustees note that members' views on non-financial matters including their ethical views in relation to social and environmental impact and present and future quality of life will not be sought; however, they will be considered if raised by the membership.

In summary, the Trustees' policy in relation to their arrangement with any asset manager is explained as follows:

- (i) how the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustees' policies
- (ii) how that arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term;
- (iii) how the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustees' policies
- (iv) how the Trustees monitor portfolio turnover costs incurred by the asset manager and how they define and monitor targeted portfolio turnover or turnover range; and the duration of the arrangement with the asset manager.

The Trustees engage with the Investment Manager to agree a suitable asset allocation that is designed to meet the Scheme objectives. The Trustees have chosen an Investment Manager (MM Wealth) who offers a tailored approach and therefore can cater for customised strategies. This collaborative approach ensures that the agreed strategy is one which the Investment Manager is able to deliver and, as performance is a key criteria upon which the manager is judged, the Investment Manager is incentivised to align decisions with the Trustees' investment policies. Where using pooled funds, the Trustees accept that the assets invested in pooled funds are subject to the underlying asset managers' policies, therefore the asset manager will not be able to directly align their strategy with the Trustees' policy. However, where using pooled funds, the Trustees are able to easily disinvest and realise their scheme assets from a specific asset manager without penalty or delay, should they underperform or act outside the Trustees' investment objectives, stewardship and environmental, social and governance requirements.

The Trustees delegate the review of portfolio costs and investment performance monitoring to their Investment Managers. Their Investment Managers report regularly (no less than twice per annum) and make recommendations that incorporate analysis of these factors as part of their agreement with the Trustees. MM Wealth were appointed in 2021 by competitive tender, with the next competitive tender due no later than May 2024.

Risk management

The Trustees recognise a number of risks involved in the investment of the assets of the Scheme. In arriving at their investment strategy, the Trustees have considered the following main risks and will continue to monitor them on a regular basis:

- Mismatching risk – measured through regular monitoring of the expected progression of liabilities relative to the assets and through assessing the development of the actual liability growth relative to the current asset allocation strategy.
- Manager risk – measured by analysing the deviation of future risk and return relative to the Investment Managers' objectives and through the diversification of the Scheme's assets across a range of funds with different styles and through the ongoing monitoring

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of the manager's performance against their investment objectives.

- Liquidity risk – measured by analysing the cash flow requirements of future payments and by regularly assessing the level of cash held relative to the forecasted level of payments.
- Sponsor risk – measured by regular assessments of the financial strength of the principal employer to support the continuity of the Scheme and to make any deficit payments, and by obtaining a review of the employer's covenants from time to time.
- Political risk – measured by analysing the level of concentration in any one market or country to avoid the risk of an adverse effect on investment return that could arise from political influence. Also managed by regularly assessing the level of diversification within the asset allocation.
- Fraud – measured, managed and addressed by ensuring that all advisers and third-party service providers are suitably qualified, experienced and regulated, as appropriate.

The Trustees monitor risk capacity (the scheme's ability to absorb or support risks) and risk appetite (the Trustees' or Employer's, as appropriate, readiness to accept a given level of risk) through their integrated risk management procedures. This allows the Trustees to take effective action following regular advice from their Scheme Advisers and Scheme Actuary.

Governance

In compliance with the Financial Services Markets Act 2000, daily management of the underlying assets is delegated to professional Investment Managers who are regulated by the Financial Conduct Authority. They have been selected for their expertise in different specialisations and they invest for the Scheme to a specific mandate and guidelines, as agreed with the Trustees. The Investment Manager has discretion to buy, sell or retain individual securities in accordance with these guidelines.

The Trustees receive regular reports from their Investment Manager and meet with its representatives at least twice a year to review the investment performance and processes. Through this process of regular reporting and annual review, the Trustees aim to ensure that the Investment Manager is performing competently and in compliance with this Statement.

9.5.2023