

The MTL Instruments Group Pension Scheme

Statement of Investment Principles – September 2025

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1. Introduction

The Trustee of The MTL Instruments Group Pension Scheme (“the Scheme”) has drawn up this Statement of Investment Principles (“the Statement”) to comply with the requirements of the Pensions Act 1995, as amended by the Pensions Act 2004, and the Occupational Pension Schemes (Investment) Regulations 2005 as amended by the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010, the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Occupational Pension Schemes (Investment) (Amendment) Regulations 2018 and the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

The Statement is intended to affirm the investment principles that govern decisions about the Scheme’s investments. In preparing this Statement the Trustee has consulted the Employer on the Trustee’s investment principles.

2. Governance

The Trustee makes all major strategic decisions including, but not limited to, the Scheme’s asset allocation and the appointment and termination of investment managers. The process for making investment decisions is set out in Appendix 2.

When making such decisions, and when appropriate, the Trustee must take professional advice. The Trustee’s investment consultants, Barnett Waddingham LLP, are qualified by their ability in and practical experience of financial matters, and have the appropriate knowledge and experience to provide such advice.

3. Investment Objectives

The Trustee is required to invest the Scheme’s assets in the best interests of the members, and their main objectives with regard to investment policy are:

- To achieve, over the long term, a return on the Scheme’s assets which is sufficient (in conjunction with the employers existing contributions) to pay all members’ benefits in full and is consistent with the assumptions made by the Scheme Actuary in determining the funding of the Scheme;
- To ensure that sufficiently liquid assets are available to meet benefit payments as they fall due; and
- To consider the interests of the Employer in relation to the size and volatility of the Employer’s contribution requirements.

4. Risk Management and Measurement

The Trustee is aware of and pays close attention to a range of risks inherent in investing the assets of the Scheme. The Trustee believes that the investment strategy provides for adequate diversification both within and across different asset classes. The Trustee further believes that the current investment strategy is appropriate given the Scheme’s liability profile. The Trustee’s policy on risk management is as follows:

- The primary investment risk faced by the Scheme arises as a result of a mismatch between the Scheme’s assets and its liabilities. This is therefore the Trustee’s principal focus in setting investment strategy, taking into account the nature and duration of the Scheme’s liabilities.
- The Trustee recognises that whilst increasing risk would be expected to increase potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Scheme’s liabilities as well as producing more short-term volatility in the Scheme’s funding position. The Trustee has taken advice on the matter and (in light of the objectives noted previously) considered the implications of adopting different levels of risk.

- The Trustee recognises the risks that may arise from the lack of diversification of investments. Subject to managing the risk from a mismatch of assets and liabilities, the Trustee aims to ensure the asset allocation strategy in place results in an adequately diversified portfolio. Due to the size of the Scheme's assets and recognising the need to diversify, investment exposure is obtained via pooled vehicles.
- The documents governing the managers' appointment include a number of guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme.
- The Trustee recognises that the use of active management involves a risk that the assets do not achieve the expected return. However, the Trustee believes this risk is outweighed by the potential gains from successful active management, in particular in regions or asset classes where this potential is greater than others. The Scheme's assets are managed both actively and passively, but the Trustee can change this at any time after taking investment advice.
- The safe custody of the Scheme's assets is delegated to professional custodians via the use of pooled vehicles.

Should there be a material change in the Scheme's circumstances, the Trustee will review whether the current risk profile remains appropriate.

5. Investment Strategy

Given its investment objectives the Trustee has agreed to the strategic asset allocation detailed in the table below, and further details are shown in the appendix. The Trustee believes that the investment risk arising from the investment strategy is consistent with the overall level of risk being targeted.

Asset class	Target allocation
Growth Portfolio	20.0%
Troy Trojan Fund	20.0%
Insight Maturing Buy and Maintain Portfolio	40.0%
Insight Maturing Buy and Maintain 2021-2025	
Insight Maturing Buy and Maintain 2026-2030	
Insight Maturing Buy and Maintain 2031-2035	
Insight LDI Portfolio (including liquid collateral)	40.0%
Insight LDI	
Insight Liquid ABS	
Insight Liquidity Plus Fund	
Insight Cash	
Insight Liquidity Fund	
Total	100.0%

The Scheme is under an Investment Management Agreement, “IMA”, via Insight’s Managed Service, which enables Insight to monitor and maintain the hedging level within the Scheme’s LDI portfolio, including managing collateral. Further details on this can be found in the IMA.

Liability Matching Portfolio

The main purpose of the Liability Matching Portfolio is to protect the Scheme’s funding level from unanticipated changes in interest rates and inflation expectations.

The Scheme has the strategic liability matching targets set out in the table below:

Liability risk	Target hedge ratio
Interest rate	100%
Inflation	100%

The hedge ratios are defined as follows:

$$\text{Interest rate hedge ratio} = \frac{PV01 (\text{Plan assets})}{PV01 (\text{Plan liabilities})}$$

$$\text{Inflation hedge ratio} = \frac{IE01 (\text{Plan assets})}{IE01 (\text{Plan liabilities})}$$

PV01 represents the sensitivity of the value of the assets/liabilities to unanticipated changes in interest rates, measured by the financial impact on the value of the assets/liabilities of a 0.01% fall in UK interest rates at all terms. IE01 represents the sensitivity of the value of the assets/liabilities to unanticipated changes in market-implied inflation expectations, measured by the financial impact on the value of the assets/liabilities of a 0.01% increase to UK RPI inflation at all terms.

In this context, the value of the Scheme’s liabilities should be calculated on a “gilts flat” actuarial basis. That is, the liabilities should be calculated using the actuarial basis used to determine the Scheme’s Technical Provisions but with the discount rates set equal to the yield on gilts.

Tolerance levels

As stated in the IMA, the following tolerance levels are applied to the liability matching portfolio:

- The total PV01 of the Portfolio (inclusive of the Notional Bond Assets) shall not deviate from the PV01 of the benchmark by more than 2% of the total PV01 of the benchmark.
- The total IE01 of the Portfolio (inclusive of the Notional Bond Assets) shall not deviate from the IE01 of the benchmark by more than 2% of the total IE01 of the benchmark.

6. Cash Flows and Rebalancing

The Trustee has allocated part of the portfolio to the Insight Buy and Maintain Portfolio, which distributes income through an automated process into the Insight Liquidity Fund on a quarterly basis. This income is used in the first instance to meet the Scheme’s cashflow requirements via a quarterly disinvestment to the Trustee bank account.

The Trustee will monitor the Scheme’s actual asset allocation at least quarterly and will decide how to proceed. This may involve redirecting cashflows, a switch of assets, or taking no action. For cashflows and general rebalancing events, the Trustee has agreed that the cashflow policy should look to rebalance towards the benchmark subject to the following:

- For Matching Assets, disinvestments and investments should rebalance the portfolio, but should not be taken from LDI funds unless advised otherwise.

The LDI funds employ leverage (i.e. the level of protection provided against changes in longer-term interest rates/inflation expectations is greater than the amount invested). Should the leverage within one of the LDI funds deviate substantially from the fund's target leverage level, Insight will rebalance the LDI fund back to the target leverage level. These LDI leverage rebalancing events could result in money being requested or released from the LDI funds. In the event that a re-capitalisation contribution is required, the Scheme's holdings would be sold in the following order of priority in order to meet this requirement:

1. Insight Liquidity Fund
2. Insight Liquidity Plus Fund
3. Insight Liquid ABS Fund
4. Troy Trojan Fund

Where funds in the Insight Liquidity Fund, Insight Liquidity Plus Fund and Liquid ABS Fund are required, Insight will automatically sell the holdings to meet a re-capitalisation contribution. As the Troy Trojan Fund is managed by another investment manager, if additional money is required from this fund the Trustee would instruct this separately.

The Trustee's holding in the Liquidity Plus Fund is intended to be able to meet the collateral calls associated with yield rises of up to 1.5%. The Trustee's holding in the Liquid ABS Fund is then intended to be able to meet the further collateral calls associated with yield rises of up to a total of 3%. The amount required to withstand this level of yield rises, and therefore the allocations to these funds, will change over time. The Troy fund is then held to meet further collateral calls for yield rises beyond 3%. The Trustee does not target a particular holding in the Insight Liquidity Fund – this fund is highly liquid and used by Insight for day-to-day liquidity management of the portfolio. The Trustee monitors the collateral position of the Scheme's holdings through its quarterly investment monitoring reports.

In the event that a cash payment is made by Insight as a result of the re-leveraging of one or more LDI funds, this will be transferred automatically to the Insight Liquidity Plus Fund by Insight. The Trustee will then consider how the proceeds will be subsequently invested, treating these proceeds as 'new money'.

The Trustee may decide to change this cashflow and rebalancing policy from time to time, subject to receiving the necessary advice from its investment consultant.

7. Expected Return

The Trustee expects the return on assets to be consistent with the investment objectives and investment strategy outlined above.

The Trustee expects to generate a return, over the long term, of circa 1.3% per annum, net of expenses, above a portfolio of long-dated UK Government bonds – which are considered to change in value in a similar way to the Scheme's liability value. This return is a "best estimate" of future returns that has been arrived at given the Scheme's long term strategic asset allocation and in the light of advice from the investment consultant.

The Trustee recognises that over the short term performance may deviate significantly from this long term expectation. This "best estimate" will also generally be higher than the estimate used for the actuarial valuation of the Scheme's liabilities. For this purpose a more prudent estimate of returns will generally be used, as agreed by the Trustee on the basis of advice from the Scheme Actuary.

8. Investment Mandates

The Trustee has selected Insight Investment (Insight), and Troy Asset Management ('Troy') as the appointed Investment Managers ('the Investment Managers'). The Investment Managers are regulated under the Financial Services and Markets Act 2000.

9. Employer-Related Investments

The Trustee's policy is not to hold any direct employer-related investments as defined in the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005.

10. Fee Structures

The Investment Managers are paid a management fee on the basis of assets under management. The investment consultant is paid on a fixed fee basis for providing 'core services'. Payment to the investment consultant may also be made on a project basis which may be a fixed fee or based on time cost for additional services as agreed by the Trustee in the interests of obtaining the best value for the Scheme.

11. Financially material considerations, non-financial matters, the exercise of voting rights and engagement activities

Financially Material Considerations

The Trustee considers that factors such as environmental, social and governance (ESG) issues (including but not limited to climate change) will be financially material for the Scheme over the length of time during which the benefits provided by the Scheme for members require to be funded to a level which would allow the benefits to be bought out with an insurer.

The Trustee has elected to invest the Scheme's assets through pooled funds. The choice of underlying funds is made by the Trustee after taking advice from their investment consultant. The Trustee, and the managers of the underlying funds, take into account ESG factors (including climate change risks) in their decisions in relation to the selection, retention and realisation of investments.

The Trustee takes those factors into account in the selection, retention and realisation of investments as follows:

- **Selection:** The Trustee will consider how ESG factors are taken into account in the selection of investments with the Scheme's investment managers. When appointing a new mandate, the Trustee will request that investment managers provide information regarding their ESG credentials. These credentials will then be taken into account alongside other factors in the decision as to whether to appoint each manager. The Trustee will also consider alongside other factors whether any new investment managers are signatories to the United Nations supported Principles for Responsible Investment (PRI). At the time of writing, the Scheme's investment managers are all PRI signatories.
- **Retention:** The Trustee will request information regarding the ESG practices of the Scheme's investment managers, and will review this on a regular basis, to consider whether these remain appropriate.
- **Realisation:** The Trustee will consider how ESG factors are taken into account in the realisation of investments with the Scheme's investment managers.

The Trustee will also take those factors into account as part of its investment process to determine a strategic asset allocation, and consider them as part of ongoing reviews of the Scheme's investments.

Policy for monitoring ESG policy

The Trustee will continue to monitor and assess ESG factors, and risks and opportunities arising from them, as follows:

- The Trustee will obtain regular training on ESG considerations in order to understand fully how ESG factors including climate change could impact the Scheme and its investments.
- As part of ongoing monitoring of the Scheme's investment managers, the Trustee will use any ESG ratings information available within the pensions industry or provided by its investment consultant, to assess how the Scheme's investment managers take account of ESG issues.
- Through their investment consultant the Trustee will request that all of the Scheme's investment managers provide information about their ESG policies, and details of how they integrate ESG into their investment processes on an annual basis.
- The Trustee will receive an annual ESG monitoring report from the Scheme's investment consultant. The ESG monitoring report will include ESG ratings for each of the Scheme's funds determined by the Scheme's investment consultants, which in turn are based on information provided by the respective fund managers.

Non-financially material considerations

The Trustee does not take into account individual members' and beneficiaries' views, including in relation to ethical matters, social and environmental impact and present and future quality of life (referred to in the Regulations as "non-financial factors"), in the selection, retention and realisation of investments.

The Trustee will review its policy on whether or not to take account of non-financial matters on an annual basis.

The exercise of voting rights

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, and in undertaking engagement activities in respect of the investments is that these rights should be exercised by the investment managers on the Trustee's behalf. In doing so, the Trustee expects that the investment managers will use their influence as major institutional investors to exercise the Trustee's rights and duties as shareholders, including where appropriate engaging with underlying investee companies to promote good corporate governance, accountability and to understand how those companies take account of ESG issues in their businesses.

The Trustee will monitor and engage with the investment managers about relevant matters (including matters concerning an issuer of debt or equity, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance), through the Scheme's investment consultant.

Investment managers will be asked to provide details of their stewardship policy and engagement activities on at least an annual basis. The Trustee will, with input from their investment consultant, monitor and review the information provided by the investment managers.

Where possible and appropriate, the Trustee will engage with their investment managers for more information and ask them to confirm that their policies comply with the principles set out in the Financial Reporting Council's UK Stewardship Code.

Engagement activities

The Trustee acknowledges the importance of ESG and climate risk within the investment making framework. When delegating investment decision making to their investment managers the Trustee provides the investment managers with a benchmark it expects the investment managers to either follow or outperform. The investment manager has discretion over where in an investee company's capital structure it invests (subject to the restrictions of the mandate), whether directly or as an asset within a pooled fund.

The Trustee is firmly of the belief that ESG and climate risk considerations extend over the entirety of a company's corporate structure and activities i.e. that they apply to equity, credit and property instruments or holdings. The Trustee also recognises that ESG and climate related issues are constantly evolving and along with them so too are the products available within the investment management industry to help manage these risks.

The Trustee considers it to be a part of the investments managers' roles to assess and monitor developments in the capital structure for each of the companies in which the manager invests as part of the pooled fund in which the Scheme holds units.

The Trustee also considers it to be part of the investment managers' roles to assess and monitor how the companies in which they are investing are managing developments in ESG-related issues, and in particular climate risk, across the relevant parts of the capital structure for each of the companies in which the managers invest on behalf of the Scheme.

Should an investment manager be failing in these respects, this should be captured in the Scheme's regular performance monitoring.

Stewardship Priorities

In selecting and reviewing their investment managers, where appropriate, the Trustee will consider investment managers' policies on engagement and how these policies have been implemented.

The Trustee periodically reviews engagement activity undertaken by their investment managers to ensure that the policy outlined above is being met and may explore these issues with its investment managers as part of the ongoing monitoring of the ESG integration and stewardship activities of its investment managers.

The Trustee monitors and reports on the ESG and stewardship activities of their investment managers regularly, and this covers a range of topics. The Trustee will continue to monitor a range of ESG and stewardship activities, but the Trustee have chosen stewardship priorities to focus this monitoring and reporting. In selecting these priorities, the Trustee have considered the Sponsoring Employer's stance on being "active stewards of the environment" and a "model for inclusion and diversity". The Trustee have therefore set the following stewardship priorities:

- Climate and the environment
- Diversity, Equality and Inclusion

The Trustee believes they can meaningfully monitor progress and engage with their investment managers in these areas over time. The Trustee expects their relevant asset managers to be able to evidence their stewardship activity in these areas which the Trustee will monitor annually, for example, by considering the voting and engagement activity of the asset managers.

The Trustee will periodically review the stewardship priorities of the Scheme to ensure they remain appropriate.

Conflicts of interest

The Scheme's investment managers are granted full discretion over whether or not to hold the equity, debt or other investment in the Sponsoring Employer's business. Through their consultation with the Sponsoring Employer when setting this Statement of Investment Principles the Trustee has made the Sponsoring Employer aware of their policy on ESG and climate related risks, how it intends to manage them, and the importance that the pensions industry as a whole, and its regulators, places on them.

The Scheme's investment consultants, Barnett Waddingham, are independent and no arm of their business provides asset management services. This, and their FCA Regulated status, makes the Trustee confident that the investment manager recommendations they make are free from conflict of interest.

The Trustee expects all investment managers to have a conflict of interest policy in relation to their engagement and ongoing operations. In doing so the Trustee believes they have managed the potential for conflicts of interest in the appointment of the investment manager and conflicts of interest between the Trustee/investment manager and the investee companies.

12. Policy on arrangements with asset managers

Incentivising alignment with the Trustee's investment policies

Prior to appointing an investment manager, the Trustee discusses the investment manager's benchmark and approach to the management of ESG and climate related risks with the Scheme's investment consultant, and how their policies are aligned with the Trustee's own investment aims, beliefs and constraints, taking into account the nature of the investment manager's mandate.

When appointing an investment manager, in addition to considering the investment manager's investment philosophy, process and policies to establish how the manager intends to make the required investment returns, the Trustee also considers how ESG and climate risk are integrated into these. If the Trustee deems any aspect of these policies to be out of line with its own investment objectives for the part of the portfolio being considered, the Trustee may consider whether it would be more appropriate to use another manager for the mandate.

The Trustee's approach is therefore to determine its investment policies, which are set out in this document, and to appoint investment managers that it believes fits with these policies. The Trustee does not provide any direct incentives for the investment managers to align their practices with these policies; instead the managers have been selected on the basis that their approaches are aligned with the policies. The Trustee considers this to be a suitable approach in practice given it typically invests in pooled funds with other investors. The "Method and time horizon for assessing performance" section of this document explains how the fee arrangements in place act as an indirect incentive for the investment managers to continue to perform in line with the criteria against which they were assessed at selection over the medium to long term.

The Trustee carries out an investment strategy review at least every 3 years where they assess the continuing relevance of the investment strategy in the context of the Scheme and the Trustee's aims, beliefs and constraints. The Trustee monitors the investment managers' approach to ESG and climate related risks, with particular focus on their agreed stewardship priorities, on an annual basis.

In the event that an appointed investment manager ceases to meet the Trustee's desired aims, including the management of ESG and climate related risks, using the approach expected of them, the Trustee will consider whether it would be more appropriate to use another manager for the mandate. The investment managers have been informed of this by the Trustee.

Investment manager ESG policies are reviewed in the context of best industry practice and feedback will be provided to the investment manager.

Incentivising assessments based on medium to long term, financial and non-financial considerations

The Trustee is mindful that the impact of ESG and climate change may have a long-term nature. However, the Trustee recognises that the potential for change in value as a result of ESG and climate risk may occur over a much shorter term than climate change itself. The Trustee has acknowledged this in the Scheme's investment management arrangements.

When considering the management of objectives for an investment manager (including ESG and climate risk objectives), and then assessing their effectiveness and performance, the Trustee assesses these over an agreed predetermined rolling timeframe. The Trustee believes the use of rolling timeframes, typically 3 to 5 years, is consistent with ensuring the investment manager makes decisions based on an appropriate time horizon. Where a fund has a shorter-term target, this is generally supplementary to a longer term performance target. In the case of assets that are actively managed, the Trustee expects this to be sufficient to ensure an appropriate alignment of interests. The Trustee does not expect ESG considerations to be disregarded by the investment manager in an effort to achieve any short term targets.

The Trustee expects investment managers to be voting and engaging on behalf of the Scheme's holdings. The Trustee monitors this activity with reference to the agreed stewardship priorities within the Implementation Statement in the Scheme's Annual Report and Accounts.

Method and time horizon for assessing performance

The Trustee monitors the performance of the Scheme's investment managers over the medium to long time periods that are predetermined and consistent with the Trustee's investment aims, beliefs and constraints.

The Trustee's policy is to monitor the performance of the Scheme's investment managers regularly to ensure that they continue to perform in line with the criteria against which they were assessed when they were appointed. The Trustee's investment consultants provide the Trustee with reporting to monitor the investment managers on a quarterly basis. The Trustee then uses this reporting to discuss wider strategic issues for the Scheme such as asset allocation and liquidity, as well as any concerns regarding individual the investment managers, including historical performance and any corporate or personnel developments that may affect future performance.

The Scheme invests exclusively in pooled funds. The investment managers are remunerated by the Trustee based on the assets they manage on behalf of the Trustee. As the funds grow, due to successful investment by the investment manager, they receive more and as values fall they receive less. Details of the fee structures for the Scheme's investment managers are contained in Appendix 1.

Other than for Liability Driven Investment (LDI) assets, the Trustee believes that this fee structure incentivises the investment manager to focus on long-term performance.

For LDI assets, the setting of a clear benchmark linked to the value of the Scheme's liabilities incentivises the manager to manage the portfolio in line with Trustee's risk management requirements. The Trustee acknowledges that a fall in the value of the LDI portfolio, in line with a fall in the value of the liabilities, would reduce the remuneration paid to the manager.

The Trustee does not consider this to be a disincentive for the manager to invest in line with its benchmark, because the Trustee makes clear to its LDI manager that any material deviation from its benchmark which is

considered out of line with the manager's expected approach could result in the appointment of a replacement LDI manager.

The Trustee asks the Scheme's Investment Consultant to assess if the asset management fee is in line with the market when the manager is selected, and the appropriateness of the annual management charges are considered every three years as part of the review of the Statement of Investment Principles

Portfolio turnover costs

The Trustee acknowledges that portfolio turnover costs can impact on the performance of the Scheme's investments. Overall performance is assessed as part of the regular investment monitoring process.

During the investment manager appointment process, the Trustee considers both past and anticipated portfolio turnover levels. When underperformance is identified deviations from the expected level of turnover may be investigated with the investment manager concerned if it is felt they may have been a significant contributor to the underperformance. Assessments reflect the market conditions and peer group practices.

The Trustee acknowledges that for some asset classes, such as LDI, a higher turnover of contracts such as repurchase agreements can be beneficial to the fund from both a risk and cost perspective.

Duration of arrangement with manager

For the open-ended pooled funds in which the Scheme invests, there are no predetermined timescales for investment agreed with the investment managers.

The suitability of the Scheme's asset allocation and its ongoing alignment with the Trustee's investment aims, beliefs and constraints is assessed every three years, or when changes deem it appropriate to do so more frequently. As part of this review the ongoing appropriateness of the investment managers, and the specific funds used, is assessed.

13. Review of this Statement

The Trustee 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 Trustee 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.

Adopted by the Trustee September 2025

Appendix 1 – Investment Mandates

The Trustee has appointed the Investment Managers to manage the assets of the Scheme. The Investment Managers are regulated under the Financial Services and Markets Act 2000. The Investment Managers' mandates are set out below:

Asset Class	Investment Manager	Fund Name	Active / Passive Management	Strategic Allocation (%)
Growth Assets				20.0
Multi Asset Fund	Troy Asset Management	Troy Trojan Fund	Active	20.0
Insight Maturing Buy and Maintain Portfolio				40.0
Corporate Bonds	Insight	Insight Maturing Buy and Maintain 2021-2025	Active*	
Corporate Bonds	Insight	Insight Maturing Buy and Maintain 2026-2030	Active*	
Corporate Bonds	Insight	Insight Maturing Buy and Maintain 2031-2035	Active*	
Insight LDI Portfolio (including liquid collateral)				40.0
LDI	Insight	Insight LDI portfolio	Passive	
Asset Backed Securities	Insight	Insight Liquid ABS Fund	Active	
Cash	Insight	Insight Liquidity Plus Fund	Passive	
Cash	Insight	Insight Liquidity Fund	Passive	
Cash	Insight	Insight Cash	Passive	
TOTAL				100.0

*The Buy and Maintain funds are actively managed, but the buy and maintain approach results in relatively low expected turnover in the portfolio

Appendix 2 – Investment Governance Policies

This section forms part of the Trustee's Effective System of Governance (ESOG), specifically on aspects of governance relating to the Scheme's investments. This will be reviewed annually as part of the Trustees' Own Risk Assessment (ORA).

The Trustee believes that the system of governance in place is proportionate to the size, nature, scale and complexity of the activities of the Scheme. The Trustee understands that they could go further than the policies set out in this Appendix, but believe that doing so would not offer a material improvement to the Scheme's governance.

The Trustee has put in place policies to ensure that they are confident that investment governance is carried out in accordance with legal obligations, with the best interests of Scheme members and their beneficiaries in mind, and by people with the right expertise (particularly where any of these functions are outsourced).

Objectives, roles and responsibilities

This section describes the objectives, roles and responsibilities for the different parties involved with managing the Scheme's investments, and sets out where accountability lies for providing oversight, advice, and decision-making. The Trustee will share this section with all relevant parties to ensure that expectations are understood.

The Trustee is comfortable that the level of delegation taken with respect to investment decisions is appropriate to the Scheme's circumstances and level of complexity.

The Trustee Board

The Trustee's objectives in relation to the Scheme's investments are set out in this document. The investment powers of the Trustee are set out in the Trust Deed and Rules. In accordance with the Financial Services & Markets Act 2000, the Trustee sets the general investment policy but delegate the responsibility for selection of specific investments to appointed investment managers.

The Trustee's responsibilities include:



Reviewing the investment strategy following the results of each formal actuarial valuation, or more frequently if appropriate.



Appointing investment managers to implement the agreed investment strategy.



Monitoring the performance of the investment managers that have been selected to implement the agreed investment strategy. The Trustee will be assisted in this monitoring by the Investment Consultant.



Consulting with the sponsoring employer when making changes to the investment strategy.



Monitoring compliance of the investment arrangements with the Statement of Investment Principles on an ongoing basis.

Investment Consultant

The Trustee has set their Investment Consultant objectives in a separate document. A review of performance against these objectives is carried out annually, and the objectives themselves are reviewed at least every three years. The Investment Consultant's responsibilities include:

- Performing in line with their objectives which have been agreed with the Trustee and documented separately
- Participating with the Trustee in regular reviews of the Statement of Investment Principles, and in the review of the investment strategy.
- Undertaking project work as required, including reviews of asset allocation policy and reviews or selection of investment managers.
- In consultation with the Scheme Actuary, advising the Trustee of how any changes in the Scheme's benefits, membership and funding position may affect the way in which the Scheme's assets should be invested.

Investment Managers

Each fund that the Scheme invests in has specified objectives for financial performance, and in some cases Environmental, Social and Governance (ESG), and the investment managers' objective is to perform in line with these objectives. The Trustee monitors the financial performance of the investment managers on a quarterly basis, and the ESG and stewardship performance on an annual basis, using reports provided by Barnett Waddingham.

The investment managers' responsibilities include:

- Investing in diversified portfolios of assets suitable for pension schemes within guidelines given by the Trustee.
- At their discretion, but within any guidelines given by the Trustee, implementing changes in the asset mix and selecting individual securities within each asset class.
- Maintaining appropriate capital levels where leverage is used.
- Providing the Trustee with regular portfolio valuations along with a report, at least annually, on actions and future intentions, and any changes to the processes, objectives and guidelines applied to their management of the Scheme's assets to enable the Trustee to review their Investment Managers' activities.
- Exercising the rights attached to the shareholdings of the Scheme so as to protect and enhance the long-term value of the stock holding for the Scheme.
- Reporting to a meeting of the Trustee at least annually, either in person or through documentation in a format agreed by both parties.

Legal Advisors

When appointing a new investment manager or fund, the Trustee will typically ask their legal advisor to carry out a legal review of the relevant fund documentation.

Policy for investment decision-making

This policy sets out the Trustee's policy for making decisions relating to the Scheme's investments.

The Trustee is comfortable that they are sufficiently contactable and available to ensure that this process can be followed, and decisions relating to the Scheme's investments can be made in a timely and effective manner. When making decisions, the Trustee will also make reference to the investment decision-making framework set out in this document.

Process for making decisions



Decisions made during quarterly Trustee meetings

- The Trustee will typically discuss matters relating to the Scheme's investments at their quarterly Trustee meetings. At the start of each meeting the Trustee will confirm whether they are quorate and able to make decisions in line with the Scheme's Trust Deed and Rules. The Trustee's investment consultant will propose items to be added to the agenda for discussion and will provide preliminary reading for the Trustees to consider where appropriate, to ensure that they have all of the information required to make effective and informed decisions.
- Any decisions taken relating to the Scheme's investments during Trustee meetings will take into account advice provided by the Trustee's investment consultant and will be recorded in formal meeting minutes and the log of investment decisions.



Decisions made outside of quarterly Trustee meetings

- It will sometimes be necessary for the Trustee to make decisions relating to the Scheme's investments outside of meetings. This will typically arise from the Trustee's investment consultant raising an issue that needs to be considered and providing advice on how to proceed.
- The Trustee's investment consultant will typically contact the Trustee with information relating to the development and the proposed course of action.
- Where there are developments affecting the Scheme's investments that require more urgent action to be taken, the Trustees' investment consultant will look to discuss with at least one nominated representative of the Trustee with a fully documented decision made by the Trustee.
- Any decisions made outside of quarterly Trustee meetings will be added to the log of investment decisions.

Investment decision-making framework

The table below provides a framework for the factors the Trustee will consider when making decisions relating to the Scheme's investment strategy:

Advice and understanding

Obtain and consider advice from investment consultant.

Consider whether it would be appropriate to obtain legal advice.

Consider any likely personal biases and any conflicts of interest the person providing input may have in the decisions to be made.

Ensure the Trustee is able to critically evaluate the main points of the investment information received, and that they understand the basis on which that information has been provided. If necessary, arrange for training or further information to be provided.

Ensure it is clear from the advice received how short and long-term climate change risks and opportunities are built into the recommendations.

Wider strategy considerations

Ensure the investment structure and decisions made in relation to investments aim to deliver the objectives and outcomes in accordance with the principles set out in the SIP.

Ensure that the Scheme's assets will remain sufficiently diversified following the change being considered.

Ensure that following the changes, the Scheme will be invested in a way that ensures security, quality, reasonable liquidity and profitability for the Scheme's portfolio as a whole, and will be invested mainly through regulated markets.

Consider how ESG factors (including but not limited to climate) might impact the balance of risks/returns over the longer term as part of this decision. Consider the potential long-term positive and negative impacts of the investment decision on member outcomes.

Implementation considerations

Where applicable, review the investment managers' fund documentation, obtaining advice from investment consultant and legal advisor where appropriate.

Ensure costs and charges for any advice sought and/or investment transactions that may result represent reasonable value.

Ensure the right level of protection is put in place for members.

Communications and documentation

Consult with sponsoring employer regarding any proposed changes.

Consider informing members and the sponsoring employer on the overall conclusions of the security of assets.

Where necessary, consider informing members in advance of potential changes to an investment arrangement.

Update Statement of Investment Principles if appropriate, and upload updated version to publicly available website.

Add any agreed changes to log of investment decisions.

Policy for monitoring investment governance arrangements

The Trustee will:

Quarterly



Assess the performance of investments and any investment options, including any default arrangement, within the context of the relevant objectives. This will include monitoring of the performance of their investment managers, using investment monitoring reports provided by their investment consultant.

Annually



Review the ESG and stewardship characteristics of the funds in which the Scheme invests, and monitor the ESG and stewardship activity of the managers, using sustainability investment monitoring reports provided by their investment consultant. As part of this review, ensure that climate-related risks and opportunities are being appropriately assessed and managed through the Scheme's investments.

Assess the effectiveness of their investment decision making (with reference to the log of investment decisions) and governance processes during the year.

Review the performance of their investment consultant against the objectives set.

Triennially



Review the governance structure relating to the assessment of investment risks and how investment decisions are made, including the level of delegation, to ensure it remains appropriate for the Scheme's circumstances and level of complexity.

Review the investment strategy and Statement of Investment Principles at least triennially.

Ad hoc



Review and negotiate the terms of contractual arrangements and fund documents in place with investment managers and advisers as appropriate.

Review of arrangements with investment managers

When a new investment manager is appointed, the Trustee will review and negotiate the terms of the arrangements and the fund documents with the manager. The Trustee will seek advice from their investment consultant regarding the terms of the arrangements and the investment aspects of the fund documents. The Trustee will also delegate negotiation of the commercial terms of the arrangements (for example, the level of fees paid) to their investment consultant. The Trustee may ask their legal advisor to carry out a review of the fund documents if deemed appropriate.

If there are any changes to the terms of the arrangements and fund documents with the managers during the course of the managers being appointed, then the Trustee will follow the process set out above in relation to the changes.

On an ongoing basis, the Trustee will rely on their investment consultant to negotiate the terms of the arrangements with investment managers based on how competitive the terms are in the wider market.

Review of arrangements with investment consultant

The Trustee reviews the performance of their investment consultant against the objective they have been set on an annual basis. These objectives are reviewed at least once every three years, or following any significant change in the Scheme's investment strategy.