Sandberg Pension Plan

Statement of Investment Principles

September 2024

Contents

01 Introduction

This document constitutes the Statement of Investment Principles ("the SIP") required under Section 35 of the Pensions Act 1995 for the Sandberg Pension Plan ("the Plan"). This SIP details the matters that are required to be covered under Section 2 of the Occupational Pension Schemes (Investment) Regulations 2005 (the "Regulations"). It also has been prepared in accordance with the Government's voluntary code of conduct for Institutional Investment in the UK ("the Myners Principles").

The Trustees of the Plan confirm that, in preparing this SIP, they have consulted with Sandberg LLP ("the Employer") and the Scheme Actuary and have obtained and considered written advice from the Investment Adviser. The Scheme Actuary is Mofozul Ali of XPS Pensions Limited and the Investment Adviser is XPS Investment Limited. The Trustees believe the Investment Adviser to be qualified by their ability and practical experience of financial matters and to have appropriate knowledge of the investment arrangements that the Plan requires.

The Trustees are responsible for the investment of the Plan's assets and arrange administration of the Plan. In order to meet the requirements of S36 of the Pensions Act (choosing investments), where they are required to make an investment decision, the Trustees will always obtain written advice from the Investment Adviser first. They consider this to be proper advice as such term is defined Pensions Act 1995 because the Investment Adviser is authorised and regulated by the Financial Conduct Authority.

Given the size of the Plan, the Trustees have decided the most cost-effective way of investing the Plan assets is to invest in pooled funds, rather than directly appointing an individual investment manager. Decisions about which pooled funds to invest in are made after receiving investment advice from the Investment Adviser.

In accordance with the Regulations this SIP will be reviewed at least every three years or on a significant change of investment policy.

02 **Plan Governance**

The Trustees are responsible for the governance and investment of the Plan's assets. The Trustees consider that the governance structure set out in this SIP is appropriate for the Plan as it allows the Trustees to make the important decisions on investment policy having obtained appropriate advice, while delegating the day-to-day aspects to managers of the pooled funds.

The Trustees believe that they should be collectively involved in the investment decision-making function and have therefore decided not to appoint an Investment Sub-Committee to deal with investment matters.

03 Investment Objectives for the Defined Benefit Section

The Trustees' investment objectives for the defined benefit section are:

- to ensure that the Plan has sufficient monies at all times to meet its financial obligations as and when they fall due in the future;
- to control the risk of significant adverse movements in the Plan's on-going funding level arising from changes in economic conditions and investment markets;
- to minimise the long-term cost of the Plan by maximising the return on the assets whilst having regard to the other objectives shown above; and
- to ensure the Plan's investment strategy is prudent, in accordance with the provisions of the Trust Deed and Rules.

04 Investment Strategy for the Defined Benefit Section

04.01 Asset allocation strategy

Having considered advice from the Investment Adviser, and also having due regard for the objectives, the liabilities of the Plan, the risks of and to the Plan and the covenant of the Employer, the Trustees have decided upon the following strategic target asset allocation for the Defined Benefit Section:

Asset Class	Allocation %
Return seeking assets i.e. on risk assets	66.0
Matching assets i.e. off risk assets	34.0
Total	100.0

The pooled funds that the Trustees have selected to achieve the investment objectives are detailed in Appendix A. If any changes are required to be made to the pooled funds, the Trustees will first consult with the Investment Adviser but for the avoidance of doubt any such change will not in and of itself constitute a change of investment policy requiring a revision to this SIP.

04.02 Rebalancing policy

The Trustees will review the allocation of assets between the pooled funds and between asset classes informally at least annually. A formal review will be carried out annually and if the allocation has moved significantly from that set out in this SIP, the Trustees will seek advice from the Investment Adviser as to whether it is appropriate to rebalance between pooled funds and how to rebalance.

04.03 Rates of return and fees

The benchmark and target rates of return expected together with the impact of fees and other expenses are detailed in the Appendix for each fund.

04.04 Diversification

The use of pooled funds with minimum diversification requirements is designed to ensure that the Plan's investments are adequately diversified given the Plan's investment objectives. The Trustees will monitor the strategy regularly to ensure that they are comfortable with the level of diversification.

04.05 Liquidity

The majority of the assets are held in pooled funds with frequent redemption dates that are sufficiently liquid to be realised ahead of any planned or unexpected demand for cash. Furthermore, the majority of underlying investments are traded regularly on a public exchange and accordingly there are no foreseeable circumstances in which redemption requests could not be met.

04.06 Active and passive management

The Trustees have chosen to invest in both active and passively managed funds.

04.07 Custody

The custodian of the assets in the pooled funds is appointed by the respective funds.

04.08 Suitability

The Trustees have taken advice from the Investment Adviser that the choice of investments is suitable.

05 Assessment of Performance

05.01 Investment manage

The Trustees will monitor the performance of the pooled funds against their performance targets.

The Trustees, or the Investment Adviser on behalf of the Trustees, will regularly review the performance of the pooled funds on an annual basis to satisfy themselves that the funds selected are continuing to meet the investment objectives within a tolerable level of underperformance risk.

If the Trustees are not satisfied with the performance of one or more pooled funds they will ask the investment manager to justify any underperformance. If the investment manager is not able to offer a satisfactory explanation which gives comfort that the underperformance will be reversed, the Trustees will ask the Investment Adviser to advise on an alternative pooled fund that is expected to meet the investment objectives.

05.02 Advisers

The Trustees will monitor the advice given by their appointed advisers on a regular basis and will assess their performance on the basis of their ability to explain the expected return on investments, how the investments will help the Trustees meet their investment objectives and the risks that will impact on such return. The Trustees also set investment objectives for the Investment Adviser in line with the requirements of the Competition and Markets Authority, and monitor performance and provide feedback against these objectives on a regular basis.

06 **Risks**

The Trustees recognise a number of risks involved in the investment of assets of the Plan:

i. **Interest rate risk** – the risk that liabilities will increase as a result of a fall in interest rates is measured by reference to the percentage of liabilities that are interest rate hedged and addressed by holding a significant proportion of the Plan in assets that are matching assets that will increase in value as interest rates fall.

ii. **Inflation risk** – the risk that liabilities will increase as a result of an increase in the expected rate of inflation is measured by reference to the percentage of liabilities that are inflation hedged and managed by holding assets such as equities that are expected to increase in value in the long term as a result of inflation and by holding index-linked gilts whose value increases as inflation expectations increase.

iii. **Diversification risk** – the risk that the Plan is exposed to a significant loss from esoteric factors relating to a single investment are measured by reference to the maximum exposure limits in each pooled fund and addressed by investing in pooled funds that have minimum diversification requirements.

iv. **Liquidity risk** – the risk that liabilities cannot be met when due is considered too insignificant to measure and is addressed through the use of pooled funds, the majority of which have frequent redemption dates, and by ensuring the Plan's investment in each fund is not disproportionate relative to the overall size of the pooled fund(s).

v. **Underperformance risk** – the risk of pooled funds failing to achieve their target returns is measured by reference to how much discretion the manager of each pooled fund has relative to the benchmark and by regularly reviewing the asset allocation against the target. Underperformance risk is managed by investing in passive funds except where there is a reasonable expectation that a manager can add value and through the rebalancing policy.

vi. **Market risk** – the risk of the Plan failing to meet its investment objectives due to a general decline in markets is measured by reference to the expected volatility of return seeking assets relative to equity markets and is managed by investing across a diverse selection of return seeking assets which are expected to have uncorrelated returns.

vii. **Organisational risk** – the risk of losses arising through operational mistakes or errors is measured by reference to the number of past such operational losses and is managed by seeking to minimise the number of changes to the pooled funds.

viii. **Sponsor risk** – the risk that the Employer ceases to exist or otherwise is unable to fully support the Plan is measured by reference to the strength of the Employer covenant and is managed by ensuring the asset allocation strategy takes into account the level of sponsor risk.

ix. **Currency risk** – the risk of losses through depreciation of non-sterling currencies is measured by reference to the exposure of the Plan to pooled funds with unhedged currency risk and is managed by investing predominantly in sterling assets and only taking currency risk where it increases the level of diversification;

x. **Credit risk** – the risk that a bond issuer will default on its obligations is measured by reference to the exposure of pooled funds to corporate or emerging market debt and is managed by investing in pooled funds with a diversified list of credits of sufficient quality.

xi. **Counterparty risk** – the risk that a counterparty fails whilst owing money on a derivative contract is measured by reference to the exposure to such

Risks
Continued

counterparties and is managed by ensuring the investment managers choose counterparties with a strong credit rating.

These risks are measured and managed by the Trustees as follows:

- The Trustees have set an investment strategy that adheres to the contents of this SIP.
- The Trustees receive strategic investment advice from the Investment Adviser that may include risk modelling and quantification (e.g. Value at Risk) whenever strategic changes are considered.
- The Trustees undertake annual monitoring of the Plan's investments supplemented by information provided by both the Investment Managers and Investment Adviser, as well as advice from the latter.
- The Trustees periodically monitor, with the Scheme Actuary, the statutory funding position.
- The Trustees periodically assess the strength of the Employer's covenant and uses external expertise where appropriate.
- The Trustees delegate the day-to-day management of some of these risks to the appointed Investment Managers.
- The Trustees consider the Investment Managers' role and approach to managing risk is considered when selecting appropriate Investment Managers.
- The Trustees utilise custodian relationships to ensure Plan assets are held securely.
- The Trustees assess whether appropriate controls are put in place by themselves, the Investment Adviser, Investment Managers and Custodians (where there is a direct relationship).

The Trustees recognise that it is in the nature of return seeking assets that they may underperform liability matching assets, particularly in the short term, and accordingly it is possible that the funding position could worsen from one actuarial valuation to the next. The Trustees are prepared to accept this risk because over the longer term the holding of return seeking assets is expected to improve the funding position

The Trustees will keep these risks under regular review.

07 Other Issues

07.01 Statutory Funding Requirement

The Trustees will obtain and consider proper advice on the question of whether the investments are satisfactory having regard to both the investment objectives and the requirement to meet statutory funding requirements. The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation every three years.

The Trustees will consider with their appointed advisers whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the statutory funding requirement.

07.02 Environmental, social and governance matters

The Trustees have considered the approach to environmental, social and corporate governance ("ESG") factors for the long-term time horizon of the Plan and believe there can be financially material risks relating to them. The Trustees require the Plan's Investment Managers to take ESG and climate change risks into consideration within their decision-making, in relation to the selection, retention or realisation of investments, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

The Trustees will seek advice from the Investment Adviser on the extent to which its views on ESG and climate change risks may be taken into account in any future investment manager selection exercises. Furthermore, the Trustees, with the assistance of the Investment Adviser, will monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustees' requirements as set out in this Statement.

As the Plan invests in pooled funds, the Trustees acknowledge that they cannot directly influence the policies and practices of the companies in which the pooled funds invest. The Trustees have therefore delegated responsibility for the exercise of rights (including voting rights) attached to the Plan's investments to the Investment Managers. The Trustees encourage them to engage with investee companies and vote whenever it is practical to do so on financially material matters such as strategy, capital structure, conflicts of interest policies, risks, social and environmental impact and corporate governance as part of their decision-making processes. The Trustees require the Investment Managers to report on significant votes made on behalf of the Trustees.

In order to ensure sufficient oversight of the engagement and voting practices of their managers, the Trustees may periodically meet with their investment managers to discuss engagement which has taken place. The Trustees will also expect their investment adviser to engage with the managers from time to time as needed and report back to the Trustees on the stewardship credentials of their managers. The Trustees will then discuss the findings with the investment adviser, in the context of their own preferences, where relevant.

Should the Trustees become aware of an Investment Manager engaging with the underlying issuers of debt or equity in ways that they deem inadequate or that the results of such engagement are misaligned with the Trustees' expectation, then the Trustees may consider terminating the relationship with that Investment Manager.

When considering the selection, retention or realisation of investments, the Trustees have a fiduciary responsibility to act in the best interests of the beneficiaries of the Plan, although they have neither sought, nor taken into account, the beneficiaries' views on matters including (but not limited to) ethical issues and social and environmental impact. The Trustees will review this policy if any beneficiary views are raised in future.

Appendix
Defined Benefit Section Funds

After advice from the Investment Adviser, the Trustees have appointed three managers (Abrdn, Artemis and Partners Group), to provide selected pooled funds for investment of the assets of the Defined Benefit section of the Plan.

A.01 Benchmark returns and performance monitoring

The Trustees have selected funds with the following benchmarks/objectives

Asset class	Fund	Benchmark Index	Objective
Return seeking assets	Artemis UK Select Fund	FTSE All-Share Total Return Index.	To grow capital over a five-year period
	Partners Group Partners Fund	N/A	Target Return - 8%- 12% p.a. (net of fees) over a full market cycle
	Standard Life Vanguard FTSE Developed World (ex UK) Index Fund	FTSE Developed ex-UK. Index	To track the performance of the benchmark
	Standard Life Vanguard FTSE Developed World Equity Hedged Index Fund	FTSE Developed Index	
Matching assets	Standard Life Vanguard UK Inflation Linked Gilt Index Fund	Bloomberg U.K. Government Inflation-Linked Float Adjusted Bond Index	To track the performance of the benchmark
	Standard Life Vanguard UK Long Duration Gilt Index Fund	Bloomberg U.K. Government 15+ Years Float Adjusted Bond Index	To track the performance of the benchmark
	Standard Life Vanguard UK Government Bond Index Fund	Bloomberg U.K. Government Float Adjusted Bond Index	To track the performance of the benchmark

Appendix A
Continued

A.02 Asset allocation

Having considered advice from the Investment Adviser, and also having due regard for the objectives, the current liabilities of the Plan together with their expected timing, the risks of and to the Plan and the covenant of the Employer, the Trustees have decided upon the following allocation as at 31 May 2024 as being the basis for measuring investment performance.

<table>
<tr><th>Asset Class</th><th>Chosen pooled fund</th><th>Allocation (%)</th></tr>
<tr><td>Equities</td><td>Artemis UK Select Fund</td><td>16.0</td></tr>
<tr><td>Private Markets</td><td>Partners Group Partners Fund</td><td>16.0</td></tr>
<tr><td>Equities</td><td>Standard Life Vanguard FTSE Developed World (ex UK) Index Fund</td><td>17.5</td></tr>
<tr><td>Equities</td><td>Standard Life Vanguard FTSE Developed World Equity Hedged Index Fund</td><td>17.5</td></tr>
<tr><td>Bonds</td><td>Standard Life Vanguard UK Inflation Linked Gilt Index Fund</td><td rowspan="3">34.0</td></tr>
<tr><td>Bonds</td><td>Standard Life Vanguard UK Long Duration Gilt Index Fund</td></tr>
<tr><td>Bonds</td><td>Standard Life Vanguard UK Government Bond Index Fund</td></tr>
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A.03 Expected returns

Taking account of the discount rates used in the actuarial valuation funding basis, together with the strategic asset allocation, the Trustees expect the investment strategy to achieve, the following returns:

- **Return seeking assets:** 2.9% per annum above the 10-year nominal gilt yield.
- **Matching assets:** in line with the return on a basket of instruments intended to move in line with the changes in the value of the liabilities as measured on a gilt - 0.2% / gilts + 0.3% basis.

Contact us
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Registration

XPS Pensions Consulting Limited, Registered No. 2459442. XPS Investment Limited, Registered No. 6242672.
XPS Pensions Limited, Registered No. 3842603. XPS Administration Limited, Registered No. 9428346.
XPS Pensions (RL) Limited, Registered No. 5817049. XPS Pensions (Trigon) Limited, Registered No. 12085392.
Penfida Limited Registered No. 08020393.

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Authorisation

XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).

This communication should not be relied upon for detailed advice or taken as an authoritative statement of the law.